



SENATE DEMOCRATS
WASHINGTON STATE

Jobs, Innovation, Competitiveness

The Economic Development Commission sees an opportunity to meet the stimulus challenge with a bold vision. The commission recommends an innovation-based strategy and widening the package's job creation potential with a bottom-up effort that engages both the public and private sectors. We can address two critical needs with a single economic recovery package: spending that augments short term job creation and also fosters innovation with long term strategic value and sustainability. This will position Washington state to emerge out of these difficult times as the pre-eminent global leader in innovation. The following recommendations are organized around four key drivers of innovation: **1) talent and workforce, 2) infrastructure, 3) investment and entrepreneurship, and 4) leadership.**

Workforce Recommendations

Equipping the workforce with appropriate skills is integral to resolving the issue of economic recovery. Investment in human capital has the highest payoff in terms of job creation and for permanent jobs rather than temporary ones. Most job openings in the immediate years ahead will be in middle-skilled jobs.

1. Facilitate job transitions and modernize unemployment insurance. Structural unemployment and job turnover are increasingly challenging. Access to training services will be needed by the recently unemployed. We urgently need to help the workforce transition to higher demand occupations. The demand for education is increasing, at a time higher education institutions have tighter budgets and individuals find it harder to pay for education. Ensuring the availability of financial aid needs to be part of a recovery strategy. The unemployment insurance system, designed for an earlier era of short term cyclical layoffs, needs to be changed to allow more time for educational experiences and to reduce the time between jobs. Workforce development programs should be demand driven and closely linked to community colleges.

- *Expand eligibility for UI training benefits and link more closely to the worker retraining program. Allow workers in low-wage jobs to train up to high demand occupations. (Sen. Kohl-Welles)*
- *Expand enrollments for the Worker Retraining Program. Retain current jobs by retraining existing worker in high demand skills needed to keep their companies competitive by restructuring and improving customized training programs. (Sen. Kastama)*
- *Provide opportunities for displaced workers to receive training to become Certified Nursing Assistants, Licensed Practical Nurses and similar positions. (Sen. Keiser)*
- *Provide opportunities for professional advancement for current CNA's and LPN's to attend school to become RNs and other health care professions and for current RNs to receive training to become Nurse Practitioners. The latter would have the added advantage of helping address the serious shortage of primary care providers in our state. (Sen. Keiser)*
- *Link college work study to internships with employers in high demand industries and fields. Prioritize positions with business match. (Sen. Kilmer)*

2. Strengthen apprenticeship programs. Skilled workers in the manufacturing, construction and service sectors are needed to support infrastructure modernization, roads, bridges, ports, and renewable energy investments. Green building retrofits and weatherization, which tend to be labor intensive, can create opportunities for less skilled

workers to learn new competencies with future market value. Given the expected emphasis on construction in the recovery program, the capacity of the apprenticeship program needs to be expanded. (Sens. Kohl-Welles & Rockefeller)

Infrastructure Recommendations

No doubt, spending money on infrastructure will create jobs. Our older infrastructure is in need of repair and renovation. But the key question is what kind of jobs and will these jobs offer a real chance for a sustainable career. It is time to differentiate and shift our fossil fuel driven economy to one that is driven by clean energy.

3. Invest in smart, clean and green infrastructure. Investment should be directed at transforming our transportation infrastructure to be more energy efficient, intelligent and powered by renewable energy sources with less detrimental impact on the global climate. There are immediate opportunities for designing a smart energy grid, more efficient people and goods movement and stimulating production of alternative fuel vehicles. By carefully selecting innovative infrastructure projects we can create long term jobs, produce much needed economic activity and transition from our dependency on foreign oil.

- *Offer assistance to homeowners and businesses to obtain analyses of their building's energy performance ("audits") and to construct the improvements to their building to increase energy efficiency. (Sen. Rockefeller)*
- *Link "audits" and construction improvements to jobs for unemployed and dislocated workers. Provide apprenticeship and training to participants to unemployed and dislocated worker to better qualify them for these types of jobs. (Sen. Rockefeller & Sen. Kohl-Welles)*
- *Provide incentives for increased investments in and deployment of "ready to install" renewable energy facilities and energy efficiency products. (Sen. Rockefeller)*
- *Prioritize projects which are ready to go which have existing permits, or can easily get permits. (Sen. Fraser & Sen. Haugen)*
- *Prioritize projects which will save state and local taxpayer's money in the future. (Sen. Fraser & Sen. Haugen)*
- *Prioritize projects which promote the economy of the future: technology, green buildings and energy, education and training, natural resources and outdoor recreation, cleaner and more efficient transportation. (Sen. Fraser & Sen. Haugen)*
- *Establish a statewide small grants program to promote statewide job and business stimulus and simultaneously achieve other public service goals. (Sen. Fraser)*

4. Streamline regulatory process. The regulatory and environmental review processes that impact infrastructure projects should be streamlined to boost private sector investment and create jobs. (Sen. Kastama)

- *Amend Projects of State-wide Significance statute to make designation easier and expedite state and local permitting by 1) lowering the investment thresholds in current law; 2) permit designation when a project will provide a net environmental benefit; and 3) permit designation when a project stems from innovation partnership zone or public research institution activities.*
- *Provide a regulatory waiver for first-time paperwork violations.*

5. Ensure financing for infrastructure projects. A permanent funding source for the CERB program should be established and community revitalization financing should be implemented. Pension fund investment in bonds and other mechanisms supporting ports, municipalities, qualified angel/venture funds and economic development authorities should be evaluated as to job creation benefits and potential risks.

- *Community Revitalization Financing - Promote economic development by earmarking tax revenues from the increased value created by investments in redeveloping lands that could be dedicated to new business. (Sen. Fraser, Sen. Kilmer, Sen. Kastama & Sen. Prentice)*

6. Deploy more broadband. The state should coordinate a phased high speed broadband strategy. The digital economy will be a driver of productivity and economic growth in the years ahead. Washington should continue to build a world class competitive advantage in this vital sector. High speed internet should also be defined by the applications that it can enable, not just upload and download speeds. (Sen. Kohl-Welles & Sen. Kastama)

- *Create state entity that can achieve ubiquitous broadband access. Possible models: 1) Broadband Authority with legal power to collect funds through state universal service fees; or 2) State chartered non-profit corporation representing a public-private partnership to coordinate infrastructure expansion drawing on both public and private resources.*

- *Support investments in next generation connectivity and data storage, analysis, and visualization at state research universities including the work of the eScience Institute at the University of Washington and the Pacific Northwest GigaPoP.*

Investment Recommendations

Washington's universities, colleges and research laboratories are vital assets for the innovation economy. They provide the research breakthroughs that the private sector depends on for the next generation of products, processes and services. They produce the scientists and engineers and knowledge based workers that businesses need. World class knowledge generation will be the magnet for attracting additional federal R&D, entrepreneurial talent, and private sector investment. Collaborative government-industry-research relationships are a key to leveraging R&D assets for the growth of job creating business clusters.

7. Invest in innovation facilities and demonstration projects. There is currently a backlog of projects in Washington involving research infrastructure: research/advanced technology parks, incubators, laboratories, and shared use facilities that are ready to launch, but lack financing. Washington State can serve as a test bed for advanced transportation systems and also support electric powered automobiles. Smart energy technologies can integrate wind, solar, bio and hydro sources and help manage the demand side more efficiently. Projects should seek to complete, accelerate and amplify existing projects and initiatives such as STARS lab equipment and pilot demonstration facilities. Maintaining a leadership position in innovation requires continuous investment in research teams with an entrepreneurial bent.

- *Retain IPZ capital investment of \$5 Million. (Sen. Fraser & Sen. Kastama)*

- *Retain STARS at \$2.5 Million Operating, plus \$10 Million Capital. (Sen. Fraser & Sen. Kastama)*

8. Aggressively compete for Federal R&D funding. A systematic and organized effort should be launched to increase the state's competitiveness for federal research funds across a broad spectrum of disciplines. Our incumbent and high growth clusters need access to cutting edge R&D. These areas include global health, advanced manufacturing, value add agriculture, defense technologies, life sciences, smart energy systems, nanophotonics, cloud computing, health care IT and service sector innovation. (Sen. Kastama)

- *Work with state agencies, Congressional delegation and Governor Gregoire's new "stimulus czar", Dick Thompson, to identify opportunities for federal funds and assemble teams to apply for the funds.*

9. Increase access to entrepreneurial support. Entrepreneurship is vital to an innovation economy. An urgent imperative is to increase seed capital financing, debt or equity funding for start-ups and entrepreneurs. Despite billions of federal tax dollars committed, guaranteed or spent on the financial industry (and recently the auto industry) credit availability is still limited for product development, capital investment and working capital.

Recommended actions at the federal level include:

- *Increasing set asides for the Small Business Investment and Research (SBIR).*
- *Expand SBA guarantees and loan authority.*
- *Bolster funding of the NIST Technology Innovation Program.*
- *Expand innovation assistance by the Manufacturing Extension Partnership (MEP).*
- *Provide tax credits for hiring and training of unemployed for green collar jobs.*
- *Provide immediate write-off of renewable energy investments, energy efficient purchases and new production facilities.*

Recommended actions at the state level include:

- *Provide \$50K for the Washington Technology Center to provide SBIR application assistance.*
- *Expand state contributions to our MEP program, Washington Manufacturing Services, so they can receive the maximum federal match.*
- *Temporarily (18 months) provide B&O tax credit to small businesses for each family wage job created (this may be fine-tuned by making the credit for jobs in particular fields, for instance, manufacturing, green energy, innovative companies).*
- *Temporarily (18 months) expand existing sales and use tax exemption for weatherization materials, including labor.*
- *Expand entrepreneurial training at public educational institutions including \$50K for model curriculum for K-12.*

Leadership Recommendations

The recovery strategy should bolster the regional foundations of an innovation economy. Local community leaders are eager to augment Washington's innovation capacity and performance. By building the "innovation ecosystem" bottom up, rather than top-down, there is great opportunity to coordinate and integrate the assets of economic development authorities, **universities, colleges**, non-profits, associations and business organizations across all domains. Designated Innovation Partnership Zones (IPZs) are demonstrating the potential of this approach.

10. Establish criteria for funding innovation projects. The state should assemble a portfolio of recommended "innovation ready" projects. The leadership network of the Economic Development Commission across the state can ensure that recommended projects for funding meet certain general project criteria. (Sen. Kastama & Sen. Fraser)

- *Give preference to joint use facilities (private and public users/tenants/investors).*
- *Leverage public projects with private partners and private sector capital—require private sector participation whenever possible.*
- *Fund capital projects that contribute to enhancing the education/talent pipeline.*
- *Ensure an appropriate balance between investments in urban and rural communities.*
- *Require projects to show the full multi-year cost of operations.*
- *Demonstrate clearly how the project benefits the state's longer term innovation, economic recovery, quality of life, and competitiveness goals.*
- *Provide regular innovation performance metrics to monitor progress and impact.*

We understand the urgency for short term job retention and creation. We also believe a recovery strategy can be designed to fortify our longer term vision to make Washington State the preeminent global leader in innovation.