

W A S H I N G T O N
**Competitiveness
Council**



Phase II Scorecard

April 2004



2004 Legislative Session Highlights

During the 2004 legislative session, the Legislature passed, and the Governor signed, fourteen bills that advanced the Competitiveness Council agenda. Highlights include the following:

- Funding for 2,908 additional higher education enrollments, including 858 high demand enrollments, in the supplemental operating budget.
- \$120 million in additional funding for higher education capital projects.
- Authority to develop a pilot performance-contracting model for higher education institutions.
- Establishment of performance requirements in reading, writing, mathematics, and science for high school graduation by implementing the Certificate of Academic Achievement (formerly called Certificate of Mastery); and opportunities for assessment retakes and alternative assessments.
- Changes to the Learning Assistance Program that target struggling students and school districts for support in improving student performance.
- Renewal of the R&D tax credits and inclusion of the universities as eligible entities.
- Elimination of B&O tax on federal SBIR and STTR grants to small businesses.
- Renewal of the rural tax incentives for manufacturing, R&D, software development, and help-desk services.
- Passage of a supplemental transportation budget that includes \$15.5 million in funding for Freight Mobility Board projects.
- Passage of legislation to reduce litigation under the Condominium Act and encourage liability insurers to re-enter the market and reduce rates.
- Authority for state agencies to provide simpler, clearer communication with affected citizens about proposed rule changes.
- Authority for additional venues for administrative rule challenges in Spokane, Yakima, and Bellingham for residents in those appellate districts.



COMPETITIVENESS COUNCIL PHASE II SCORECARD

Higher Education: Access, Funding, and Workforce Training

Recommendations	Implementation Steps
Short-Term: Access	
Create a plan to expand higher education in the two- and four-year sectors that recognizes the needs of students, supports statewide and regional economic development strategies, and considers forecasts of labor market supply and demand.	HB 2707 directed the branch campuses to develop plans for expansion. Governor signed 3/22/04. Effective 6/10/04.
Direct appropriate boards to develop and maintain supply and demand forecasts to anticipate demographic changes and workforce needs.	HB 3103 directs the HECB, the WTECB, and SBCTC to develop and maintain supply and demand forecasts for credentials needed to meet workforce requirements. Governor signed 4/1/04. Effective 6/10/04.
Provide funding for capital construction at state colleges and universities, as envisioned by the Evans/Gardner plan, to create instructional space to accommodate increased enrollments and research capacity to support statewide and regional economic development strategies.	Supplemental capital budget includes over \$120 million in additional capital funds for colleges and universities.
Medium-Term: Access	
Increase enrollments and acceleration opportunities consistent with the expansion plan designed in the short term.	Supplemental operating budget includes 2,908 new higher education enrollments, including 858 high demand enrollments. Governor has directed the HEC Board to offer options for increasing acceleration opportunities.
Direct the HECB to develop a plan to utilize existing capacity in the private colleges and universities. The plan should include provisions that hold the institutions accountable for meeting specific performance goals.	Section 609 in the supplemental operating budget provides funding to implement a comprehensive and ongoing assessment of the higher education system, including the use of capacity in private independent colleges. Governor Locke has also directed the HEC Board to develop options for utilizing capacity in the private independent institutions.
Long-Term: Access	
Monitor and adjust enrollments and acceleration opportunities, in keeping with student and workforce supply and demand reports.	The supplemental operating budget instructs the HEC Board to develop data to monitor enrollments in relation to supply and demand reports.
Expand physical capacity, distance learning opportunities, and extended use of existing facilities to accommodate increased access.	Supplemental capital budget increases capacity. The 2003-05 Capital Budget directs JLARC to continue work on the Higher Education Capital Facilities study.



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Recommendations	Implementation Steps
Short-term: Funding	
<p>Prioritize the state’s existing resources to provide funding to support additional general and high demand enrollments.</p>	<p>Supplemental operating budget increases higher education funding within existing resources. SHB 3103 instructs HEC Board to identify higher education funding priorities.</p>
<p>Raise public awareness about the vital role higher education and research play in the social and economic health of our state, and educate citizens about the real cost of instruction (i.e., state subsidy and tuition).</p>	<p>Governor continues to link higher education to economic development in speeches, press releases, and other communications with the public.</p>
<p>Provide incentives and management flexibility for state colleges and universities to constrain higher education costs through innovative and cost-effective strategies.</p>	<p>Incentives can be part of performance contract model authorized in Section 609 of the supplemental operating budget.</p>
<p>Establish compacts between the state and our public colleges and universities that hold the institutions accountable for meeting specific performance goals in exchange for additional funding and flexibility.</p>	<p>Supplemental operating budget includes a proviso requiring the development of a contracting model with a research university. A pilot will be developed by December 2004 for consideration by the Legislature.</p>
<p>Explore additional tuition-setting authority for institutions, which could include a graduated subsidy model at universities provided that additional financial aid is guaranteed for low- and middle-income students.</p>	<p>Supplemental operating budget includes \$100,000 to evaluate alternative higher education funding models.</p>
Medium-Term: funding	
<p>Secure sufficient revenues to support the higher education expansion plan. A combination of sources will likely be needed including funds derived from prioritizing existing resources, savings generated by institutional reforms, tuition flexibility, and new state revenue.</p>	<p>Supplemental operating budget prioritizes existing resources to provide greater funding. Education Trust Fund proposal to be decided by the voters in November 2004.</p>
<p>Propose a source of revenue to the Legislature for higher education. This revenue source should have the following attributes:</p> <ul style="list-style-type: none"> • Primarily derived from individuals (in light of our state’s disproportionate tax burden on business at present); • Non-regressive (impacting individuals who benefit from higher education most, such as those with higher income); • Responsive to inflation and growth. 	<p>Education Trust Fund proposal to be decided by the voters in November 2004.</p>
Long-Term: Funding	
<p>Periodically review the performance goals established in the short-term.</p>	<p>SHB 3103 requires that the HEC Board report annually on progress toward implementation of performance goals included in the Higher Education Strategic Master Plan.</p>



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K-12 Education

Recommendations	Implementation steps
Short-Term	
Include a Certificate of Mastery as a high school graduation requirement.	3ESHB 2195 requires high school students to obtain the Certificate of Academic Achievement as a condition for graduation beginning in 2008. Signed 3/18/2004. Effective 3/18/2004.
Define Certificate of Mastery as passage of high school WASLs in reading, writing, and mathematics in 2008 and add science in 2010.	3ESHB 2195 establishes the assessment areas for the certificate of mastery as reading, writing, and mathematics in 2008 and adds science in 2010. Signed 3/18/2004. Effective 3/18/2004.
Offer multiple opportunities for students to pass the WASLs and provide for alternative and/or appeal means to demonstrate required mastery.	3ESHB 2195 provides for retakes and the development of alternative assessments. Signed 3/18/2004. Effective 3/18/2004.
Provide greater focus to LAP to target resources more efficiently, provide incentives for improvement, and offer technical assistance for struggling schools and districts.	ESSB 5877 aligns the Learning Assistance Program to school improvement efforts and individual student support in reading, writing, and mathematics. Expands the program to grade 12 in 2007-2008. Allocation provisions place greater emphasis on one or more family income factors measuring economic need. Signed 3/18/2004. Effective 6/10/2004.
Create a new class of independently operated educational units within the common school system, sponsored by school districts, educational service districts, or the state or regional universities. Hold these schools to the same academic standards and WASL requirements as are required for other public schools	2SHB 2295 authorizes the establishment of public charter schools for the primary purpose of providing more opportunities for educationally disadvantaged students. Signed 3/18/2004. Effective 6/10/2004.
Expand calculation of the levy base to account for state funding downturns for the purpose of determining school district maximum levy authority.	SSB 6211 revises the school district levy base calculation for a specified time period. Signed 3/18/2004. Effective 6/10/2004.
Examine how existing early childhood education programs can become more efficient and effective by better coordinating their services.	HB 2780 would have created a legislative work group to make recommendations regarding early learning programs. Bill did not pass but the Legislature is planning public discussion forums this spring.
Medium-Term	
Engage members of the Competitiveness Council in the current dialogue about changes in the system for funding education from preschool to higher education. Ensure that competitiveness is one criterion for identifying priority needs and potential funding sources.	Council has discussed the Education Trust Fund proposal and continues dialogue with the League of Education Voters.
Support additional preparation and incentives for math and science instruction and additional student learning opportunities.	Bonuses for math and science teachers achieving certification from the National Board for Professional Teaching Standards included were implemented with the 2003-05 budget.



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Long-Term

Increase student access to advanced coursework in science, math and English.

The Digital Learning Commons received an additional \$800,000 in the supplemental operating budget to increase access to advanced coursework.

Provide smaller, more personalized learning environments and extended learning opportunities for students.

ESSB 5877 (Learning Assistance Program) funds can be used to provide extended learning opportunities.

Increase attention to shortages of teachers in selected subject areas and/or regions

Central Washington University “Career Switcher” program retrains displaced engineers to obtain teaching certificate in Secondary Math. Thirty dislocated workers being trained this year.



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Research, Development, and Commercialization

Recommendations	Implementation Steps
Short-term	
Provide more state funding for strategic R&D investment in scientists, facilities, equipment, and match for federal funding.	Supplemental operating budget contains \$1.6 million for a proteomics center at the UW and \$50,000 for burrowing shrimp research at WSU.
Extend the retail sales tax deferral/exemption on research facilities and the B&O tax credits for R&D.	ESHB 2546 extends and revises high technology and research and development tax incentive provisions. Signed 2/19/2004. Effective 6/10/2004.
End the taxation of federal SBIR and STTR grants.	ESHB 2546 eliminates B&O tax on SBIR and STTR grants. Signed 2/19/2004. Section effective 7/1/2004.
Medium-term	
Develop a comprehensive strategy for technology transfer within 12 to 18 months.	Economic Development Commission has developed a work group to examine technology transfer issues.
Conduct a gap analysis to identify needs for specialized infrastructure and facilities for startup technology companies.	HB 2784 establishes a small business incubator program at CTED. Signed 3/31/2004. Effective 6/10/2004.
Long-term	
Inform researchers and investors of the opportunities afforded by Washington's health care information infrastructure as a vehicle for attracting federal funding.	Spokane business community developing ideas for moving this forward.
Encourage the retention, expansion, coordination, and promotion of Washington State's wide-ranging capacity in research, including recruitment of new R&D facilities and expansion of existing federal programs.	Proposal for a National Underground Science and Engineering Facility at Cashmere is being pursued with the National Science Foundation.



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Taxes, Regulations, and Infrastructure

Recommendations	Implementation Steps
Short-term	
Pass a regional transportation investment and finance plan.	RTID proposed funding package adopted March 12, 2004. See http://www.rtid.dst.wa.us/3_RTID_funding.htm .
Provide greater local government authority and flexibility for local-option gas tax and other financing mechanisms.	RTID proposed statutory changes were not adopted by the Legislature.
Increase the state gas tax 3 to 5 cents during the 2004 legislative session and provide additional increases thereafter.	No action taken.
Dedicate some portion of new transportation funds to freight mobility	Supplemental transportation budget funds \$15.5 million in Freight Mobility Board projects.
Renew the R&D sales and B&O tax incentives set to expire in 2004	ESHB 2546 extends and revises high technology and research and development tax incentive provisions. Signed 2/19/2004. Effective 6/10/2004.
Include university research facilities as eligible beneficiaries of the sales tax exemption.	ESHB 2546 added university research facilities as eligible beneficiaries. Signed 2/19/2004. Effective 6/10/2004.
Develop the tools needed to continue the Priorities of Government budget process. Ensure that this approach is used in the 2005-07 budget.	Priorities of Government process for the 2005-2007 biennial budget is underway.
Amend the powers of the Office of Regulatory Assistance to include establishment and monitoring of permit timelines and benchmarks for permitting agencies.	Office of Regulatory assistance is negotiating memoranda of understanding with permitting agencies on establishing benchmarks, tracking performance, & cooperating in providing permit assistance.
Monitor the Department of Ecology's progress for improvement of customer service and for permit benchmarking.	Ecology's performance benchmarks and progress against those benchmarks can be tracked at http://www.ecy.wa.gov/quality/service/tracking.htm . Regulatory Performance Advisors continue to provide input on performance improvements.
Adopt regulatory performance benchmarking for other agencies.	Office of Regulatory Assistance is negotiating memoranda of understanding with permitting agencies on establishing benchmarks, tracking performance, & cooperating in providing permit assistance.
Share best practices among state and local agencies.	Ecology maintains a web site that includes innovative solutions to regulatory issues. http://www.ecy.wa.gov/quality/links1.html The Governor's Quality and Performance Initiative supports agencies in streamlining processes (including regulatory processes) and improving service quality.



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Recommendations	Implementation Steps
Support the passage of the Governor’s EDGE proposal in the 2004 legislative session. This proposal should include several safeguards including an open public process for TIF projects and protection of school district tax revenues.	EDGE legislation failed. Modified form of EDGE proposal will be developed for the 2005 session.
Renew the tax exemption expiring 12/31/2003.	SSB 6240 renews the rural tax incentive provisions and adds Island County as an eligible county. Signed 3/10/04.
Medium-Term	
Develop a forum to discuss further reform of the workers’ compensation system. Through that forum, develop a package of proposals agreed to by labor and business to be brought forward in the 2005 legislative session.	The Governor’s office is working with the UW/WSU Policy Consensus Center to establish a task force that will explore workers’ compensation issues and arrive at reforms that are acceptable to both business and labor.
Examine alternative state and local tax structures, including personal and corporate income tax, with the goals of developing a distribution of taxes more similar to other states, decreasing the business tax burden, and increasing the stability of the revenue system.	Department of Revenue is updating SimTax program. SimTax is a software tool developed in the wake of the Tax Structure Study Commission. It facilitates examination of tax alternatives and allows users to examine impacts of alternative systems on stability of revenue, distribution of tax burden, and similarity with other states.
Long-Term	
Ensure the continued competitiveness of the ports. Guard against government or private attempts to pursue land use changes on property adjacent to ports that would lead to incompatibility with port operations or intended port use or would otherwise result in additional port burdens and costs. Protect ports and airports of statewide significance from user fees, unreasonable mitigation costs, or other burdens potentially damaging to ports’ competitiveness and ability to attract trade, passengers and economic development.	A working group continues to follow-up on recommendations from the Maritime Summit held last fall.