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Unlock Our State's Potential
2016 EDITION

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ECONOMY

	Per Capita GDP	Percentage of People Living in Poverty	WA Counties With Median Household Incomes Above U.S. Average
KEY METRIC			
CHALLENGE GOAL	TOP 5	BOTTOM 5	39 of 39 COUNTIES
CURRENT RANK	9TH	22ND LOWEST	12 of 39 COUNTIES
SOURCE	BEA	BEA	U.S. Census Bureau
WHY IT MATTERS	Per capita GDP is a macro measure of economic activity relative to population size. It's a signal of opportunities for residents.	This goal captures whether residents are meeting a basic minimum threshold of economic well-being.	Washington is above U.S. median household income, but prosperity is highly concentrated in the Central Puget Sound region.

Overview

Too many are being left out of the economic success of the Seattle metro region. Outcomes are troubling among rural communities,[1] veterans,[2] ethnic minorities,[3] and youth.[4] A review of comparative state rankings demonstrates the distinct competitive advantages of the state. Public investments should be guided by a long-term strategic plan which links together key assets such as technology hubs, deepwater ports, natural resources, and educational assets. Growth generates more public revenues to invest in services and infrastructure needed to support thriving communities. A globally competitive business environment with policies tailored to the state's diverse regions lays the foundation for an economy that works for everyone.

STRATEGIES

Compete Globally

Effective branding of the state and marketing of its competitive advantages attracts companies, investors, and tourism. Washington is an emerging product development leader with capabilities in advanced materials, 3D printing, robotics/automation, composite recycling, flexible cells, and smart manufacturing. The state's clean and inexpensive energy resources make it a strategic location for energy intensive production. Private investments in research and development are among the highest in the country.

The state's business climate performs toward the front of the pack; 8th of 50 states.[5] It ranks closer to the middle in effective tax rates.[6] State government has become increasingly reliant on "fees" for services once included in general taxes. Fees are charged for permitting, use of state parks, and a large share of post-secondary tuition. Small and medium-sized businesses, who lack the political leverage of the state's largest firms, feel at a loss to advocate for more favorable tax treatment. Dissatisfaction with the state's regulatory system stems less from the standards themselves and more from the inconsistency and inefficiency of their application.[7]

RECOMMENDATIONS:

1. **Promote Washington**. Invest in the Washington Tourism Act, creating an industry-led plan to provide sustainable funding for a statewide tourism marketing and promotion program.[8]
2. **Invest in the Innovation Economy**. In an increasingly competitive environment, forty other states offer tax incentives for high tech firms.[9] The state should renew tax abatements for R&D and the Sales & Use Tax Deferral Waiver. Foreign students who receive an education in the U.S. need a simpler and less limited pathway to H1-B work visas. The E-B5 Immigrant Investor Program should be reformed to require investments in distressed and rural communities without gerrymandering zones that allow for investments to occur in thriving areas.[10]
3. **Harmonize Government Regulations Across Jurisdictions.** Implement user-friendly digital infrastructure to improve navigation through licensing, permitting and fee collection. Instead of a patchwork of laws and regulations, business needs a comprehensive and balanced state-level compromise on increasing the minimum wage. All layers of government should work together to streamline processes, lower compliance costs, and reduce delays.
4. **Enable Tax Increment Financing (TIF)**. Amend the state constitution to allow for TIF. The mechanism allows local governments to leverage private sector dollars, capitalizing on future revenue gains to secure financing for affordable housing developments, infrastructure improvements, and other public investments.[11] Only two states—Washington and Arizona—lack TIF-enabling legislation.[12]

Statewide Growth

Exports were responsible for over 30% of the new jobs created in Washington State over the past 30 years.[13] Investments in trade accelerators, Governor-led trade missions, and export vouchers reward Washington companies with sales that are protected from fluctuations in the local economy. The state's abundant natural resources and prime location generate economic benefits on both sides of the cascades. Companies that export grow sales faster, hire more employees, and pay higher wages. Traded sector jobs typically pay wages 25% higher than other sectors, and are an important driver of the middle class.[14]

Washington's Department of Commerce has identified critical industry clusters across the state in sectors such as aerospace, agriculture, defense, retail & e-commerce, life sciences, and global health. A network of institutions support the growth of these clusters from manufacturers and suppliers, to research facilities and training centers. Directing private and public investments at strengthening these clusters reinforces the competitive advantages of the region and encourages new business formation.[15] While there are excellent program models to extend technology tools and training to aid entrepreneurs, low awareness poses a challenge.

RECOMMENDATIONS:

1. **Renew State Investment in Centers of Excellence.** Centers of Excellence are guided by industry representatives and provide flexible, quality education and training programs tailored to meet the needs of targeted industries.[16]
2. **Energize Technology Transfer at Universities and at Our National Laboratory.** Promote a culture of entrepreneurship on campuses by incentivizing business development activities and developing user-friendly approaches to commercializing intellectual property produced from research.
3. **Stronger Entrepreneurial Supports.** Fund export assistance vouchers which help small and medium-sized businesses enter foreign markets. Encourage participation in the state's Startup 365 program,[17] Score Business Mentors,[18] Fund Local,[19] Make It In Washington,[20] and Small Business Vouchers from the U.S. Department of Energy.[21] Legislators should consider an administratively simpler B&O tax, such as a Single Business Tax,[22] with accommodations for startups and small businesses that create jobs.
4. **Expand Tax Incentives for Distressed Regions.** The state currently offers tax abatements for manufacturing and research expenses in qualifying regions.[23] Expanding the incentives to include service sector construction and equipment costs will further encourage job growth in high unemployment areas.

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WHERE WASHINGTON RANKS

KEY PERFORMANCE INDICATORS

Compete Globally

2nd	Exports per capita[24]
4th	Venture capital investment[25]
38th	Start-up activity[26]
4th	Manufacturing worker productivity[27]
4th in NAFTA Region	Rank of Seaport Alliance in foreign trade volume[28]
1st	Affordable business electricity[29]
39th	Unemployment insurance affordability[30]
16th	Internet Access[31]

Statewide Growth

19th	New business formation rate[32]
7th	Science & engineering patents[33]
1st	Private sector R&D investment[34]
17.8%	Rural poverty rate[35]
13.9%	Urban poverty rate[36]

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EDUCATION

KEY METRIC	4th Grade Reading & 8th Grade Math	High School Graduation Rate	Annual Attainment of Certificates, Credentials, Apprenticeships and Degrees
CHALLENGE GOAL	FIRST PLACE	90%	155,000
CURRENT RANK	10TH IN READING 7TH IN MATH	77.2%	72,715
SOURCE	NAEP State Comparisons	U. S. Dept. of Education	Results Washington
WHY IT MATTERS	Strong math and reading skills are essential to being competitive in today's workforce. Student success begins in the K-12 system.	Not graduating high school correlates strongly with chronic poverty and unemployment. This goal matches a national target set by the Grad Nation coalition.	Increasing educational attainment is critical to the economic vitality of the state and the well-being of residents. However, lots of valuable postsecondary learning doesn't involve degrees.

Overview

In 2012, the state Supreme Court ruled that Washington is failing to meet its constitutional duty to fully fund K-12 education, while recognizing that "pouring more money into an outmoded system will not succeed."[37] Since then the state has made significant investments into K-12 learning with new money for all-day kindergarten, school supplies, and K-3 class size reduction. Fully satisfying the court will require billions more in coming years. As part of a comprehensive solution, the state needs to address the achievement gap that divides student outcomes across incomes levels and ethnic backgrounds.[38] Only five states rank worse than Washington in terms of the gap between graduation rates for low-income students (65%) and rates for non-low income students (87%).[39]

Poor outcomes for K-12 students aggravate the growing workforce skills gap. By 2018, two-thirds of jobs in Washington State will require some level of postsecondary education.[40] Some of the most acute shortages exist in advanced manufacturing, aerospace, clean energy, construction trades, information technology, logistics, maritime, and healthcare.[41] Half of all STEM jobs are available to workers without a 4-year degree.[42] These jobs pay an average of $53,000 per year. The state legislature took an important step forward by expanding K-12 computer science learning in 2015.[43]

STRATEGIES

Teach Relevant Job Skills in K-12

Career and technical education in K-12 can help in closing both the achievement and skill gaps. Through hands-on learning, students acquire critical problem-solving skills and applied STEM knowledge.

Incorporating relevant job skills into curriculum provides students the foundation to earn advanced degrees or industry credentials leading to fulfilling employment. It can also encourage at-risk students to stay in school.[44]

Students enrolled in career and technical education programs graduate high school at a rate more than 10% above the state average.[45] Dropping out of K-12 significantly increases the odds of having a low wage job, becoming dependent on government benefits, or being incarcerated.[46]

During this time of new K-12 investments driven by the McCleary decision, career and technical education should be a major priority recognized for the substantial contributions it can make, among other interventions, to improving student outcomes.

RECOMMENDATIONS:

1. **Expand Access to Career and Technical Education.** Barriers include relatively high per student costs for necessary materials and qualified teachers. Business, labor, and education organizations should convene a workgroup to develop strategies for extending access and adequately funding career and technical education and skill center programs for K-12 students.
2. **Provide Academic Support Outside the School Day.** Students from low-income families are more likely to succeed with focused support services.[47] Schools should develop replicable program templates to establish diverse learning environments that provide students with academic support outside the school day.
3. **Know Before You Go.** State law should require universities to report program-specific metrics, such as job placement and earnings. Directing more students into postsecondary pathways that deliver higher return on investment will help align degree choices with economic opportunities.

> *"Incorporating relevant job skills into curriculum provides students the foundation to earn advanced degrees or industry credentials leading to fulfilling employment."*

Workforce Readiness & Competency-Based Education

In the United States, fewer than 5% of young people train as apprentices.[48] In Germany, where the youth unemployment rate is the lowest in the developed world (7.7%),[49] around 60% of youth participate in apprenticeships. Within nine months of completing their program, 86% of apprentices in Washington State report employment at a median wage of $30.47 per hour.[50] Several states offer tax credits to small- and medium-sized businesses who take on an apprentice, but Washington does not.[51]

The legislature made national headlines in 2015 by reducing tuition 15–20% at public universities, and 5% at community colleges. This brings relief to students pursuing two or four-year degrees.[52] The challenge going forward is to contain costs and increase the value of degrees, while better equipping those already in the workforce to enhance and diversify their skills. Ten years after their high school graduations only 21% of Washington students hold bachelor's degrees.[53] Recent federal legislation encourages the workforce system to closely align training and curriculum with employer-articulated needs.[54]

RECOMMENDATIONS:

1. **Expand Customized Industry Training.** Promote adoption of the National Career Readiness Certificate and other industry-recognized skill standards.[55] Translate Military Occupational Specialty guides into workforce credentials to help veterans find work. Engage employers to train and hire people with disabilities. Special support is needed to help small and medium-sized businesses articulate their hiring needs and connect with available training resources.
2. **Reinvest in the Community College System.** Encourage business and community college partnership to reduce the costs of operating apprenticeship programs and increase the effectiveness of workforce training programs. Oregon has made community college more accessible by offering free tuition with strong accountability measures for students.
3. **Create a Regulatory Framework for Income Share Agreements (ISAs).** ISAs enable college students to avoid the risk of taking on debt by selling fixed-percentage shares of their future earnings. ISAs have the potential to help students reach better decisions about degree paths and keep debt-averse students in school, but regulatory clarity is needed.[56]

WHERE WASHINGTON RANKS

KEY PERFORMANCE INDICATORS

Teach Relevant Job Skills in K-12

19th	Quality of K-12 system[57]
15th	AP exam participation[58]
65%	Low-income student high school graduation rate[59]
57%	Community and technical college students requiring remedial course-work[60]

Workforce Readiness & Competency-Based Education

4th	Manufacturing worker productivity[61]
30th	Young people working & in school[62]
13th LOWEST $24,418	Student debt burden[63]
14th	18-24 year olds with associate degrees in STEM fields[64]

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ENVIRONMENT

KEY METRIC	Carbon Competitiveness	Carbon Intensity of Electricity	Clean Water & Air
CHALLENGE GOAL	TOP 5	MEET NEW LOAD GROWTH WHILE MAINTAINING A TOP 5 RANK	MAINTAIN WATER QUALITY TOP 5 FOR AIR QUALITY
CURRENT RANK	6TH	2ND	2ND WATER | 28TH AIR
SOURCE	EPA, BEA	EIA	ERFC
WHY IT MATTERS	Expresses ratio between greenhouse gas emissions and gross domestic product. Also known as the GHG intensity of economy.	The amount of carbon used to create a megawatt-hour of electricity. Washington state has one of the cleanest electrical systems in the nation.	Clean air and drinking water are key determinants of health and quality of life.

Overview

More than 25% of our state's total economy comes from industries directly dependent on natural resources, such as agriculture and food products,[65] forestry,[66] and maritime.[67] Additionally, the state's stunning natural environment drives tourism spending in hospitality and recreation.[68] Natural capital accounting is a tool to help manage these resources, allowing for the "design [of] a management strategy that maximizes the contribution of natural resources to economic growth while balancing tradeoffs among recreation, agriculture, subsistence livelihoods and other ecosystem services like flood protection and groundwater recharge."[69]

Unlike the country as a whole, Washington's largest source of emissions is the transportation sector. The state's low-cost, hydro-based grid provides a unique and leverageable asset to reduce carbon emissions across all sectors. The clean grid supercharges the environmental benefits of electric vehicle adoption and enables energy-intensive industries to do business with a lower carbon footprint than in other states. Washington has improved its carbon competitiveness at a rate rate of 3.5% each year over the past five recorded years, placing it at seventh best in the U.S. at growing its economy while simultaneously lowering emissions.[70]

STRATEGIES

Protect Natural Capital

Improving our understanding of natural capital accounting can help illuminate smarter choices to mitigate or eliminate environmental threats. Local examples include an assessment of the Puget Sound Basin[71] as well as the Nisqually Watershed.[72] These analyses offer the foundation for a systems-based regional view of well-managed ecological systems. More sophisticated and locally focused climate modeling will enable the state to plan for a more sustainable future.

Taking action can be beneficial on multiple fronts. Harvesting the more than 247 million board feet of authorized Olympic-region timber that went unsold over the last decade would have funded local schools and municipalities, created jobs in rural Washington, and reduced wildfire risk.[73]

RECOMMENDATIONS:

1. **Strengthen Regional Disaster Preparedness and Climate Resiliency.** New best practices can be applied to forest management and agriculture to reduce the risk of fire and drought. Uncertain snowpack encourages investment in reservoir water storage for rain.[74] Floodplains by Design projects offer needed protection for homes, businesses, and natural habit.[75]
2. **Apply LEAN to the Stormwater Regulatory Process.** Redesign the stormwater regulatory process to be "compiler-centric," and harmonized across jurisdictions.[76] Foster a coordinated effort among ports and tenants in pursuit of a healthier Puget Sound.

> *"Unlike the country as a whole, Washington's largest source of emissions is the transportation sector. The state's low-cost, hydro-based grid provides a unique and leverageable asset to reduce carbon emissions across all sectors."*

Achieve Low Carbon Prosperity

Current policy is leading Washington toward a cleaner grid in 2025, with the elimination of in-state coal electricity. Much like utilities helped drive energy efficiency improvements like LED light bulbs, they can play a similar role in electrifying transportation and converting industrial machinery to cleaner fuels.

Reducing emissions can align with improving profits.[77] The critical question for the economy is the amount of carbon reduction that is technologically feasible, and the cost effectiveness of making those investments. Looking to 2030, it is estimated that nationally 40% of the identified technology solutions could generate a net savings to the economy.[78]

However, realizing this potential requires overcoming persistent barriers to market efficiency. Less understood is the availability and cost effectiveness of carbon reduction investments at the state level. For example, given Washington's unique energy profile the advantages of electrification are more pronounced than in other states. Washington's rich forestry resources can also provide a sequestration benefit equal to 30 percent of net carbon emissions.[79]

RECOMMENDATIONS:

1. **Leverage Washington's Natural Advantage in Clean, Affordable Electricity.** State law should recognize the ratepayer interest in shifting carbon intense activities to clean electric power. To encourage investment in grid enhancement, integration of intermittent renewable energy, and reductions in transportation and industrial sector emissions, the state should adopt technology-neutral standards which account for the whole range of utility investments that reduce carbon.
2. **Recover Wasted Energy.** Through 2030 the state can meet 85% of its new electricity needs with conservation and efficiency investments.[80] Shifting more activity to electric power will increase demand for electricity, but the greater efficiency of electric motors will decrease overall energy use and waste. State policy should encourage the development of nascent clean energy technologies such as nuclear[81] and hydrogen power to someday meet the energy demands of the region and beyond.[82]
3. **Electrify Transportation and Expand the use of Low Carbon Fuels.** Amend utility regulations to enable them to provide incentives encouraging adoption of electric vehicles and charging infrastructure. Implement time-of-use electricity rates. The definition of "energy conservation" should be broadened to include the conservation of electricity and oil.[83] Standards are needed to evaluate fuels and technologies for their carbon reduction benefits, with subsidies and compliance credits awarded accordingly. Natural gas should be evaluated fairly with other advanced fuels, not singularly discouraged.
4. **Support Low Carbon Procurement.** Government and businesses can apply purchasing power throughout supply chains and be proactive in making cost effective energy efficiency and carbon reduction investments.

WHERE WASHINGTON RANKS

KEY PERFORMANCE INDICATORS

Protect Natural Capital

11th	Industrial toxins released[84]
28th	Clean air[85]
2nd	Clean water[86]
10th	Outdoor recreation participation[87]

Achieve Low Carbon Prosperity

46%	Percent emissions from transportation sector[88]
1st	Electric vehicles sales (percentage of total sales)[89]
10th 92.3%	Electric grid (percent renewable)[90]
2nd	Carbon intensity of electric grid[91]

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GOVERNANCE

KEY METRIC	Credit Rating	Budget Transparency	Voter Participation
CHALLENGE GOAL	MAINTAIN OR IMPROVE	NO LESS THAN A-	TOP 5
CURRENT RANK	AA+	GRADE: B 22ND	13TH MEAN OF 2012 (64.8%) AND 2014 (42.2%)
SOURCE	Standard & Poor	U.S. PIRG	State Auditor's Office
WHY IT MATTERS	A high score reflects a comprehensive evaluation of the state's governance and financial management which directly translates to lower financing costs for the state.	Evaluation of how effectively online state spending information is "encompassing, one-stop, and one-click searchable and downloadable."	The share of eligible voters participating in elections—a basic indicator of civic engagement. More participation tends to create more representative government.

Overview

Across the county a bipartisan movement of public servants is growing. They have resolved to eliminate waste, improve responsiveness, and deliver results that will win back people's trust in government.[92] Borrowing best practices from business, these reforms aim at improving everything from the waiting time for a driver's license to the quality of education. The National Governors Association's *Deliver Results*, the Brookings Institute's *Global Cities Initiative*, and Bloomberg Philanthropies' *What Works Cities* are examples of national initiatives to identify and promote best practices across issue areas.

There are many excellent examples of this type of leadership in Washington State. *Results Washington* is the body tasked with setting common goals for state agencies and encouraging systemwide strategic planning and Lean implementation.[93] New performance standards for tax preferences and a four-year balanced budget requirement have raised the bar for legislative decision-making. Data portals like those offered by *Spokane Community Indicators* set the stage for collective problem-solving.[94]

STRATEGY

Government That Works

Spending decisions in Washington State should be prioritized using a comprehensive strategic plan. Interplay over the budget is to be expected between the governor and the four legislative caucuses, but the process can be better structured. Past leaders have built consensus by establishing shared governing priorities. The table below describes an approach to budgeting that both political parties can embrace.[95]

MOVING AWAY FROM	MOVING TOWARD
Two-year budgeting focused on "balancing" the budget	Budgeting within fiscal constraints to meet long-term outcomes
Funding specific agencies	Funding programs designed to achieve outcomes
Debating levels of funding	Debating the results we want to achieve with state spending
Spending all available revenue	Saving and creating fiscal sustainability
Competition for funding between agencies	Agencies jointly responsible for program delivery
Disconnected agency performance indicators	Success measured by outcome indicators

RECOMMENDATIONS:

1. **Pass the SMART Act (State Money Accountability, Review or Termination).** The bill would require all state expenditures to include a performancestatement wherein the Joint Legislative Audit & Review Committee would recommend continuing, modifying or terminating the program, as is currently done for tax preferences.[96]
2. **Better Connect Spending to Outcomes.** Create a state version of the federal evidence-based policymaking commission proposed by Senator Patty Murray and Representative Paul Ryan.[97] To promote better decision-making on initiatives and referenda, voters' pamphlets should contain fiscal impact projections. A Citizens Initiative Review can add further oversight. The implementation of management systems across state agencies will support a culture of continuous improvement leading to better results.
3. **Launch Open Data and Digital Leadership Initiative.** Getting more datasets online supports an economy of businesses and nonprofits, watchdog groups and journalists, and software developers. Look to leading states like Utah,[98] and encourage participation of local employers in computer-related occupations in bringing the talent and knowledge to transition state agencies to digital service delivery.
4. **Authorize Pay for Success Bonds.** Pay-for-success contracts (aka: social impact bonds) leverage private capital to create better public outcomes,[99] by compensating private investors if their investments reduce state liabilities or generate revenue. The legislature should authorize a pilot project related to health & social services.
5. **Reduce Tax Burden on Lower Income Households.** The Washington State tax system places disproportionate tax burden on lower income households.[100] Property tax circuit breakers and homestead exemptions,[101] alongside school levy reform could reduce the inequity of the state tax system.[102] Enacted in 2008 but never funded, the Working Families Tax Credit would create a state version of the successful federal Earned Income Tax Credit.[103]

WHERE WASHINGTON RANKS

KEY PERFORMANCE INDICATORS

Government that Works

B/22nd	Budget transparency[104]
B+	Digital government leadership[105]
5.4%	Business taxes as a share of GDP

"Spending decisions in Washington State should be prioritized using a comprehensive strategic plan."

[92] John M. Bernard, *Government That Works*, Results America (February 4, 2015).

[93] Results Washington, Website.

[94] EWU Institute for Public Policy and Economic Analysis, Spokane Community Indicators (2015).

[95] Adapted from State of Oregon, 10-Year Plan for Oregon Project, "Outcomes-Based Budgeting Outcomes," (Oct. 11, 2011) page 4.

[96] Washington State Legislature, Senate Bill 5944, "Implementing the periodic review of state spending programs" (2015-2016).

[97] United States House of Representatives, House Resolution 1831, "Evidence-Based Policymaking Commission Act of 2015," Introduced April 16, 2015.

[98] Michael Grass, "Why Utah's State Government Leads the Nation in Offering Services Online," Route Fifty (October 13, 2015).

[99] Urban Institute, "Understanding Social Impact Bonds and Pay for Success."

[100] Institute on Taxation and Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All Fifty States*, Fifth Edition (January 14, 2015).

[101] Institute on Taxation and Economic Policy, "Property Tax Circuit Breakers" (September 1, 2011).

[102] Jim Brunner, "State in 'weird place' trying to alter reliance on school levies," *The Seattle Times* (May 10, 2015).

[103] Washington State Legislature, RCW 82.08.0206, "Exemptions - Working families - Eligible low-income persons" (2008).

[104] Massachusetts Public Interest Research Fund, *Following the Money* 2015 (March 18, 2015).

[105] Center for Digital Government, "Digital States Survey 2014 Results."

HEALTH

KEY METRIC	Health Determinants and Outcomes	Prevalence of Primary Care Physicians	Healthcare Expenditures As a Share of Personal Income
CHALLENGE GOAL	TOP 5	TOP 5	BOTTOM 5
CURRENT RANK	9TH IN DETERMINANTS 19TH IN OUTCOMES	15TH	14TH
SOURCE	United Health Foundation	United Health Foundation	U.S. Centers for Medicare & Medicaid Services
WHY IT MATTERS	These two high-level indices assess the health care systems' effectiveness in keeping people healthy.	Wellness care and chronic disease management keep patients out of expensive emergency rooms and hospitals, but require qualified primary care physicians.	Paired with outcome data, cost levels reveal the value residents get for dollars spent on health care.

Overview

The State Health Care Innovation Plan is an opportunity for unified action toward health system transformation.[106] The federal government has awarded Washington $65 million to implement the plan—with the potential to generate at least $1 billion in savings across all payers.[107]

In 2015 the state legislature authorized creation of an All-Payer's Claims Database to bring greater transparency to the healthcare market.[108] The database pools information about the costs and quality of health care. Access to this data presents an opportunity for better decision-making by patients and policymakers alike. Business can lead by emphasizing workplace wellness and promoting value-based benefit designs that reward high-value providers and low-cost delivery systems. The state took a big step forward by approving reimbursement for telemedicine services.[109]

STRATEGY

Align to the Triple Aim

The triple aim is framework to guide the design of health system transformation. The approach calls for:

1. enhancing the patient experience
2. improving health outcomes of populations, and
3. reducing per capita costs.[110]

Modest investments in chronic disease prevention have been shown to yield dramatic health impacts and cost savings. Recent research indicates that prevention costing only $10 per person could result in a national savings of $16.5 billion dollars over five years.[111] Medicaid and Medicare recipients suffer disproportionately from chronic disease.[112] While an effective delivery system is critical, 80% of health is determined by physical environment, socio-economic factors, and health behaviors.[113]

RECOMMENDATIONS:

1. **Build a Culture of Robust Quality and Price Transparency.** Demand transparency, benchmark performance, enable value-based purchasing, and promote competition. Build upon the foundation of an All-Payers Claim Database by pooling more types of data in real-time and strengthening the analytical capacity of the health system.[114] Washington health systems should implement ongoing procedural reforms and innovations targeting healthcare mishaps such as hospital-acquired infections, medication errors, and all "never events."[115]
2. **Emphasize Prevention and Chronic Disease Management.** Washington residents who suffer from high-prevalence, high-cost chronic conditions (cardiovascular disease, diabetes, asthma, COPD, and depression) should receive a comprehensive, ongoing assessment of medical needs; and development of a plan to obtain needed medical services, actively overseen by a care provider or case management professional. State law can be modified to expand the role of mid-level practitioners to fully perform work for which they are trained.[116]
3. **Borrow from Oregon's Accountable Care Innovations.** Oregon was granted an "innovation waiver" via the Affordable Care Act that allows it to spend its Medicaid dollars in a unique manner and shift risk away from the public sector.[117] Washington should monitor the situation closely and stand ready to replicate what works.

"Business can lead by emphasizing workplace wellness and promoting value-based benefit designs that reward high-value providers and low-cost delivery systems."

WHERE WASHINGTON RANKS

KEY PERFORMANCE INDICATORS

Align to the Triple Aim

6th	Rate of preventable hospitalizations[118]
Average	Quality of preventative care[119]
Strong	Quality of chronic care[120]
15th	Prevalence of primary care doctors[121]
18th	Obesity[122]
12th	Diabetes[123]

[106] Washington State Health Care Authority, "Ready to Work Together for a Healthier Washington."

[107] Washington Health Alliance, "Washington receives $65 million to accelerate health care innovation" (Dec. 18, 2014).

[108] Lisa Stiffler, "Washington State Officials Want To Lift Veil On Health Care Pricing," *The Seattle Times & Kaiser Health News* (Feb. 5, 2015).

[109] Philip Peisch, "Washington State Telehealth Parity Act," *The National Law Review* (May 7, 2015).

[110] Institute for Healthcare Improvement, "The IHI Triple Aim."

[111] Center for Disease Control and Prevention, "Chronic Diseases: The Leading Causes of Death and Disability in the United States" (Last updated Aug. 26, 2015).

[112] Center for Medicare & Medicaid Services, *Chronic Conditions Among Medicare Beneficiaries* (2012); Kaiser Family Foundation, "The Role of Medicaid for Adults With Chronic Illnesses" (Nov. 16, 2012).

[113] Magnan et al., "Achieving Accountability for Health and Health Care," *Minnesota Medicine*, State Quality Improvement Institute (November 2012).

[114] Washington State Health Care Authority, *Washington State Health Care Innovation Plan* (Jan. 2014).

[115] Agency for Healthcare Research and Quality, "Never Events," Patient Safety Primer, U.S Department of Health and Human Services (Dec. 2014).

[116] Dr. Celine Gounder, "The Case for Changing How Doctors Work," *The New Yorker* (Oct. 1, 2013).

[117] Lauren Broffman and Kristin Brown, "Year Two: Capturing The Evolution Of Oregon's CCOs," Health Affairs Blog (Sept. 15, 2015).

[118] United Health Foundation, "Rate of Preventable Hospitalization," America's Health Rankings (2015).

[119] U.S. Department of Health & Human Services, Agency for Healthcare Research and Quality, "Washington: State Dashboard" (2012); AHRQ, Prevention Quality Indicators Overview.

[120] U.S. Department of Health & Human Services, Agency for Healthcare Research and Quality, "Washington: State Dashboard" (2012).

[121] United Health Foundation, "Primary Care Physicians," America's Health Rankings (2015).

[122] United Health Foundation, "Obesity," America's Health Rankings (2015).

[123] United Health Foundation, "Diabetes," America's Health Rankings (2015).

TRANSPORTATION

KEY METRIC	Civil Infrastructure Report Card	Average Commute Time	Seaport Alliance Trade Volume
CHALLENGE GOAL	NO LESS THAN A-	UNDER 20 MINUTES	6 MILLION TEUs[124]
CURRENT RANK	C- BRIDGES C- RAIL D+ ROADS D+ TRANSIT	26.8 MINUTES	3.5 MILLION TEUs
SOURCE	American Society of Civil Engineers	U.S. Census Bureau	American Association of Port Authorities
WHY IT MATTERS	People and goods move through the state best when roads are well maintained and have adequate peak-hour capacity. Transit can offer choice and convenience, and can help control congestion and emissions.	Longer commutes result in lost productivity and added pollution. Extended commutes are often the result of congestion and urban sprawl.	Puget Sound ports have lost traffic while those in British Columbia are growing rapidly. Heavy trade volumes create high paying jobs and insulate the economy from downturns.

Overview

Years of advocacy and collaboration between business, labor, and bipartisan legislators led to the passage of a new transportation package in 2015. Over the next 10 years, 16 billion dollars will be invested in critical maintenance and infrastructure projects. The pressure to make additional investments in state transportation infrastructure will continue for years to come with a projected 26% population growth from 2014 to 2040.[125]

The health of Washington's supply chains are threatened by bottlenecks in urban areas where passenger vehicles compete with commercial freight.[126] Congestion and increasing commute times generate more pollution and keep drivers away from their families.[127] Effective transit options take drivers off the road and decrease congestion. Density and mixed zoning increase the return on transit investments. With every 10% decrease in urban sprawl, Americans are 4.1% more likely to climb from the lowest to the highest income quintile.[128]

STRATEGY

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

Meeting future needs will require rethinking how the state funds and manages its transportation system: roads, freight rail, marine, and transit.[129] Many states have found workable solutions through private-public partnerships. However, the Transportation Innovations Partnerships Act of 2005 has effectively discouraged new financing models within the state.[130] A leveling off of vehicle miles traveled, and better vehicle fuel efficiency threatens the long term viability of the gas tax as the primary funding source for roads. Pay-for-what-you-use approaches to sustainable road funding and encouraging smart usage can be part of the solution.

The Ports of Seattle and Tacoma are connected to $138.1 billion in economic activity in Washington State—approximately one third of the state's GDP.[131] By joining together as the Northwest Seaport Alliance, the ports hope to reverse the loss of West Coast market share to ports in Canada and California.[132] A state-level commitment to the maritime industry on the scale afforded aerospace would boost the long term competitiveness of the port system.

RECOMMENDATIONS:

1. **Expand Private-Public Financing.** Share risk and expedite improvements by modifying the Transportation Innovations Partnerships Act to enable dozens of available private-public partnership models. To support freight rail investment, WSDOT has suggested tax credits and property tax reallocations for railroads, special taxing districts, use of lottery proceeds, third-party finance, a sales tax on motor fuels, or a portion of the road usage charge fees now under consideration.[133] In the same way that companies like Uber and Lyft have filled demand for private cars, there is a role for the private sector to meet demand in areas like bus service.
2. **Support Road Pricing Pilot Program.** An ongoing state assessment found a viable business case for a road user charge based on a time permit, odometer reading, or GPS system.[134] Washington should implement a pilot program similar to Oregon's.[135]
3. **Explore New Management Models.** Examine an informal proposal from within WSDOT to replace the department with a publicly-regulated private transportation utility. The continued coordination and seamless integration of regional transportation systems must be front and center for transit agencies.
4. **Rebuild Fishing Fleets.** The legislature should create a tax exemption program for vessel recapitalization to boost the competitiveness of Washington's fishing and seafood processing industries.[136]

WHERE WASHINGTON RANKS

KEY PERFORMANCE INDICATORS

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

2nd	Exports per capita[137]
NAFTA 7.4% U.S. 6%	Port container market share through Washington ports[138]
44th	Road conditions[139]
53rd	Seattle Metro Region (out of Top 221 largest MSAs)[140]
8th	Public transit use[141]

[124] A TEU is a Standard unit for describing a ship's cargo carrying capacity, or a shipping terminal's cargo handling capacity. TEU stands for "twenty-foot equivalent unit." It is based on the volume of a 20-foot-long intermodal container, a standard-sized metal box which can be easily transferred between different modes of transportation, such as ships, trains, and trucks.

[125] Office of Financial Management, *State of Washington Forecast of the State Population*, Forecasting & Research Division (Nov. 2014).

[126] Washington State Department of Transportation, "Bottlenecks and Chokepoints," Transportation Plan Documents.

[127] Texas A&M University Transportation Institute and INRIX, *2015 Urban Mobility Scorecard*, (Aug. 2015).

[128] Helen Mountford and Robin King, "Why smart growth cities are safer, healthier, and wealthier," *The City Fix*, World Resources Institute (March 25, 2015).

[129] Office of Gov. Chris Gregoire, *Connecting Washington: Strategic Transportation Investments to Strengthen Washington's Economy and Create Jobs*, (Jan. 2012), pgs. 3, 13-15.

[130] Washington State Transportation Commission, "Transportation Innovation Partnerships."

[131] Martin Associates, *The Economic Impact of Marine Cargo at the Ports of Tacoma and Seattle*, (Sept. 2014) page 11.

[132] *Journal of Commerce*, "Seattle, Tacoma ports lose share to Canadian ports" (May 4, 2015).

[133] Matt Rosenberg, "WSDOT: Freight Rail Fixes Are Key, But Funding Is Iffy," *Public Data Ferret* (Jan. 13, 2014).

[134] Washington State Transportation Commission & Washington State Dept. of Transportation, *Washington State Road Usage Charge Feasibility Assessment Draft Final Report* (Nov. 13, 2013).

[135] Oregon Department of Transportation, Road Usage Charge Pilot Program 2013 Final Report (May 2014).

[136] Washington State House of Representatives, "Bill Analysis: House Bill 2182," Technology & Economic Development Committee, Office of Program Research (2015).

[137] U.S. Census Bureau, State Trade Data, Foreign Trade (2014).

[138] American Association of Port Authorities, "NAFTA Region Container Traffic: 1995-2014," Table 1; American Association of Port Authorities, "NAFTA Region Container Traffic Port Ranking 2014," Table 6.

[139] Economic and Revenue Forecast Council, "Interstate Miles in Poor Condition," *Washington State Economic Climate Study*, (December 2014) page 35.

[140] Smart Growth America, *Measuring Sprawl 2014*, The Metropolitan Research Center (April 2014).

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