

Washington State Climate Study

Presented to
Senate Economic Development Committee

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Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



Study Overview

- Established in 1996 under RCW82.33A to provide information to the legislature as to the competitiveness of Washington's economic climate relative to the other states.
- Indicators chosen by advisory committee with representatives from government, business, and labor
 - Consistent across states
 - Timely
 - Valid and accurate
- Produced by Economic and Revenue Forecast Council in consultation with Washington Economic Development Commission

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Overall, Washington's didn't perform as well compared to other states as in previous years

- 41 Total Indicators and Benchmarks
 - 37 Updated
- 36 indicators with ranks relative to other states:
 - 13 improved
 - 16 worsened
 - 7 unchanged
- 37 indicators which measure year-over-year performance:
 - 24 improved
 - 12 worsened
 - 1 unchanged



Study Indicators

Benchmarks Separated into five categories:

- Economic Performance
 - 14 Indicators
 - Average Rank: 15
- Quality of Life
 - 11 Indicators
 - Average Rank: 15
- Education and Skills of the Workforce
 - 8 Indicators
 - Average Rank: 20
- Infrastructure
 - 3 Indicators
 - Average Rank: 30
- Cost of Doing Business
 - 5 Indicators
 - Average Rank: 20

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The State's ranking in Economic Performance regressed in 2008

- Economic Performance
 - Ranking:
 - 4 Improved
 - 9 Worsened
 - 1 Unchanged
 - Performance
 - 8 Improved
 - 6 Worsened

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Economic Performance

Economic Indicator	Performance	Rank
Employ. Growth	Worsened	Worsened
Household Income	Improved	Unchanged
Per Capita Income	Improved	Worsened
Income Growth	Worsened	Worsened
High Wage Growth	Improved	Worsened
Earnings Per Job	Improved	Improved
Earnings Growth	Worsened	Worsened
Migration Rate	Improved	Improved
Foreign Exports	Worsened	Worsened
Exports w/o Trans	Improved	Improved
University R&D	Worsened	Worsened
Industry R&D	Improved	Worsened
Total R&D	Improved	Worsened
Unemploy. Rate	Worsened	Improved

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Growth in High Wage Industries turned positive for the first time in six years

Despite improved growth, the state's rank declined

The increase of 0.1% was twice that of the national average and ended 6 years of decline

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Source: BLS, ERFC; data through 2008

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Per Capita Personal Income growth dropped sharply in 2008

Washington's rank dropped from 10th in 2007 to 35th in 2008

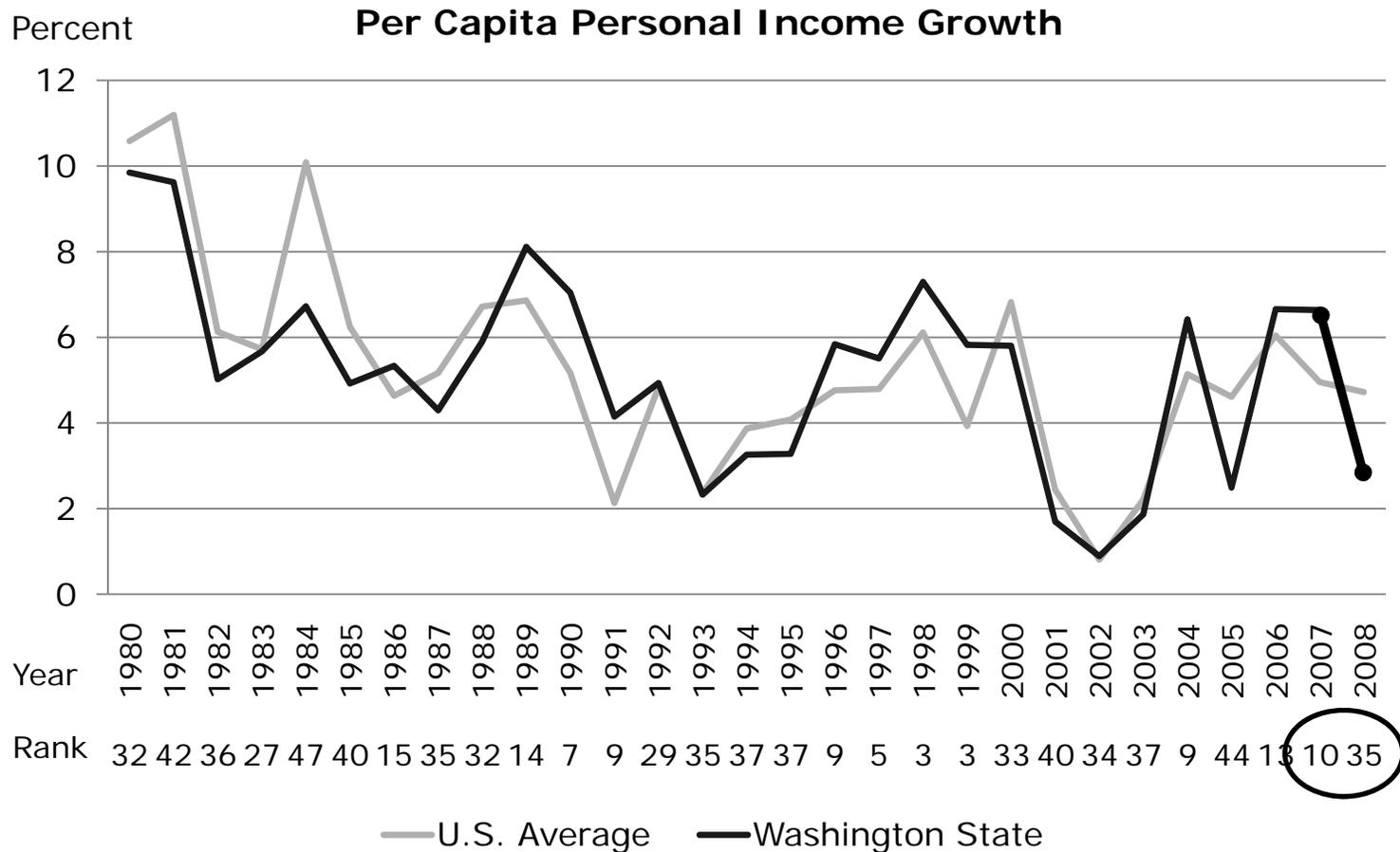
The growth rate fell from 6.6% in 2007 to 2.8% in 2008

The 5-year average is just below the nation at 5.0%, although the state ranks 20th

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Source: BLS, ERFC; data through 2008

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The growth in earnings was the lowest since 1994

Washington's rank dropped from 8th to 32nd in 2008

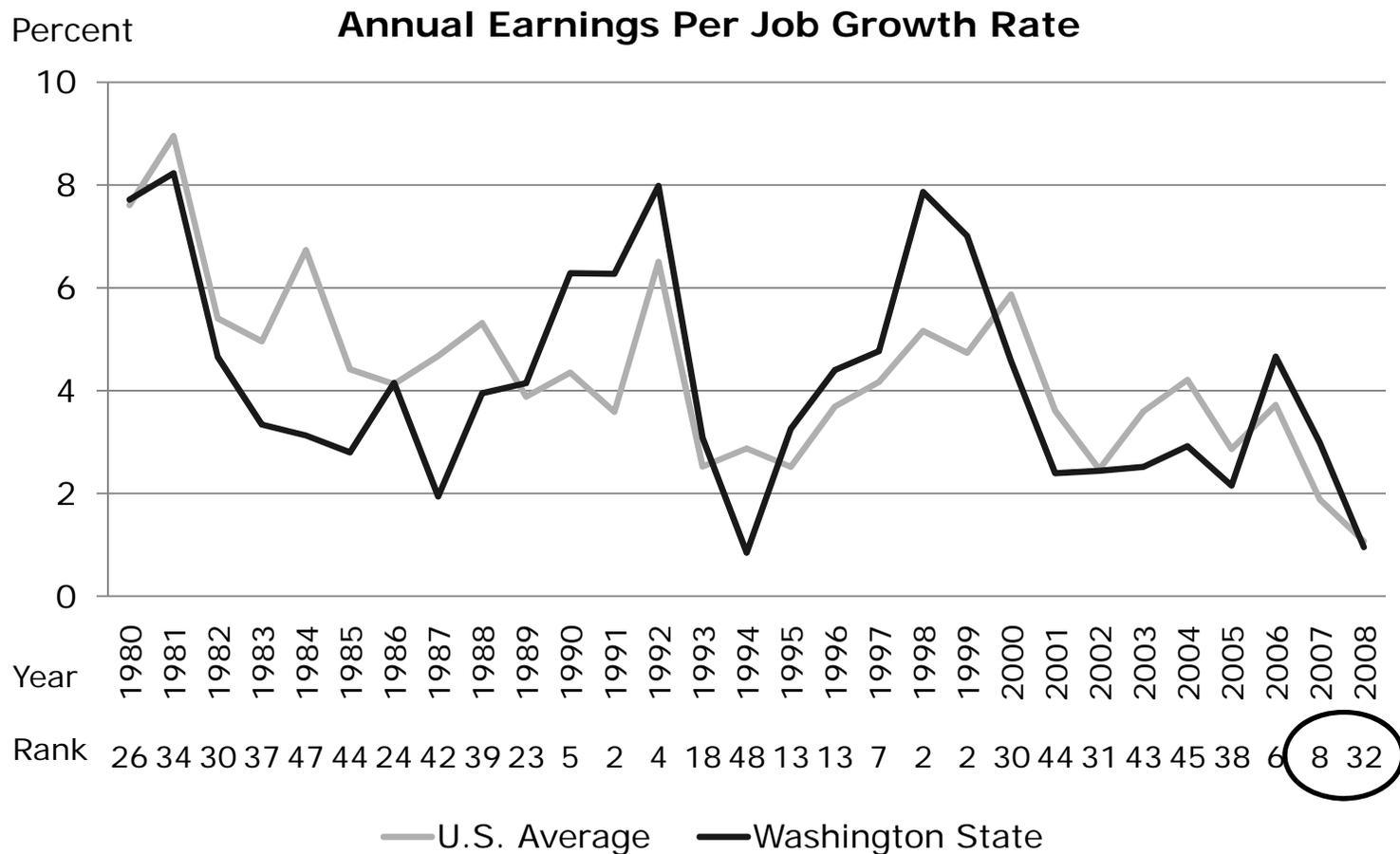
The growth rate declined from 3.0% to 1.0% in 2008

The 5-year average of 2.7% is equal to the nation and ranks 23rd among the states

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Source: U.S. Dept of Commerce, BEA, ERFC; data through 2008

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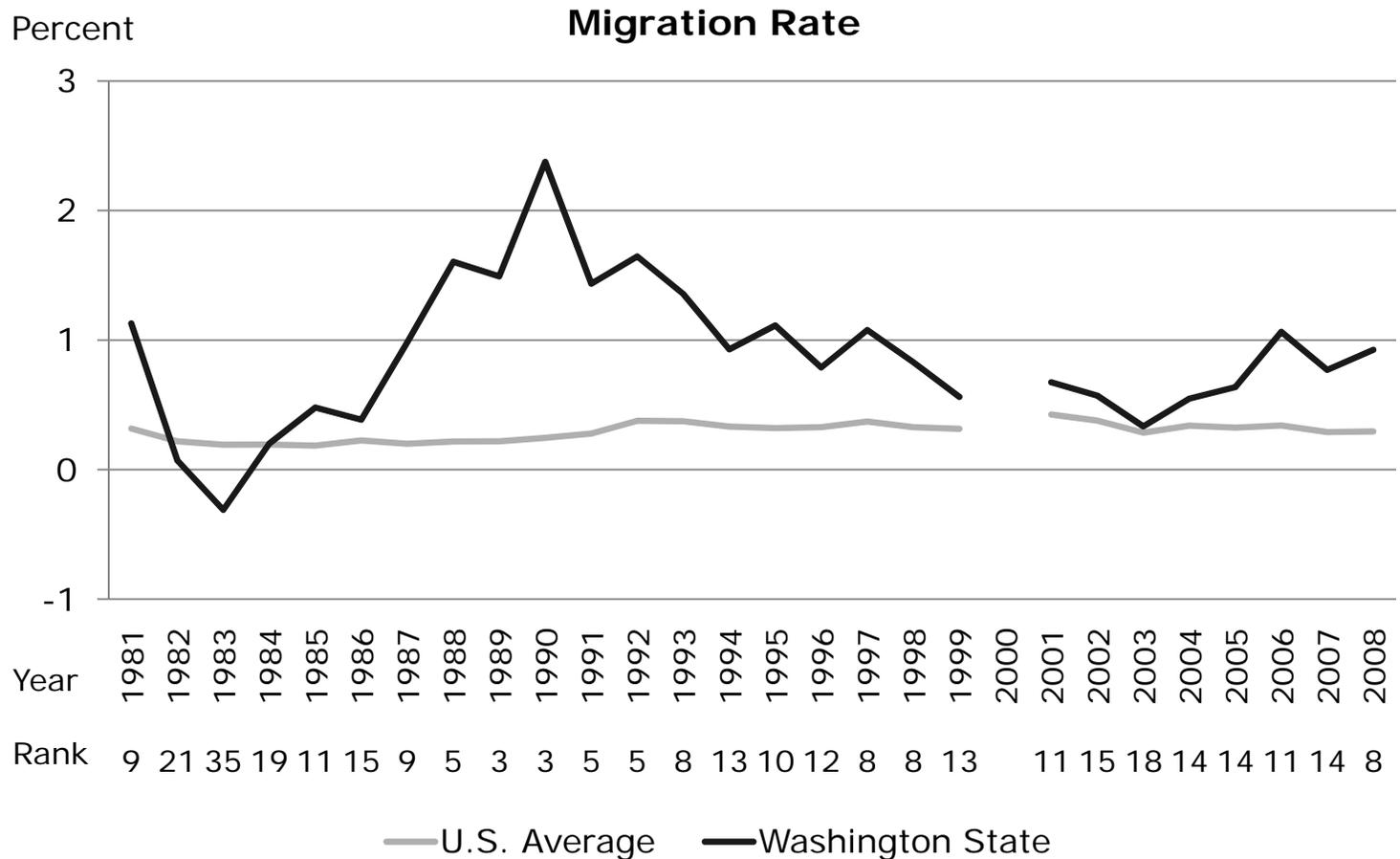


Migration in Washington has been trending upward since 2003

The state's migration rate of 0.9% is much higher than the nation average of 0.3%

Washington ranked 6th in total migration and 8th on a per capita basis

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Source: U.S. Census Bureau, ERFC; data through 2008

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Washington exports excluding transportation equipment have been strong

WA routinely leads the nation in total exports with a 5-year average rank of 1st

Washington's exports excluding trans. Equip. have been strong as well increasing from 10th to 6th in the nation

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Source: WISER Trade, ERFC; data through 2008

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Washington had significant improvement in "Quality of Life"

- Quality of Life
 - Ranking:
 - 4 Improved
 - 2 Worsened
 - 3 Unchanged
 - 1 Not Updated
 - Performance
 - 7 Improved
 - 1 Worsened
 - 1 Unchanged
 - 1 Not Updated

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Quality of Life

Climate Benchmark	Performance	Rank
Homicide	Worsened	Worsened
Violent Crime	Improved	Unchanged
Arrest Rate	Improved	Improved
Air Quality	Unchanged	Unchanged
Drinking Water	Improved	Improved
Toxins Released	Improved	Improved
Health Index	Improved	Improved
State Parks and Rec	Improved	Unchanged
State Arts	Improved	Worsened
Library Service	Not Updated	Not Updated
Housing Index	N/A	N/A

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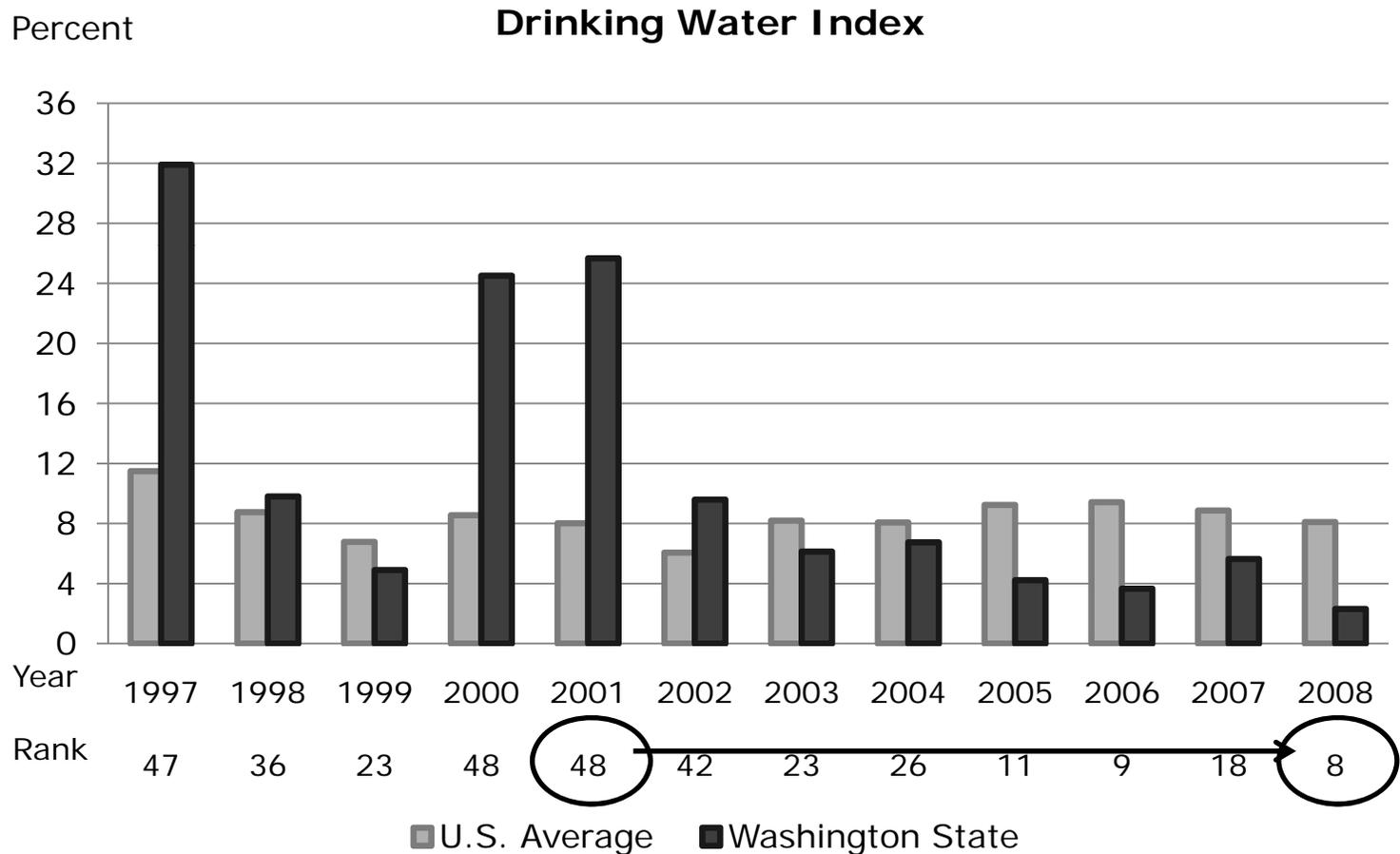


The State's drinking water quality has improved significantly since early in the decade

Measures the percent of water systems which has exceeded the EPA's maximum contaminant level (MCL)

Washington's national ranking improved from 3rd worst in 2001 to 8th best in 2008

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Source: U.S. Environmental Protection Agency, ERFC; data through 2008

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Washington's Health Index has also seen improvement in recent years

Rankings are based on 4 components:
(1) Behavior,
(2) Environment
(3) Policies
(4) Outcomes

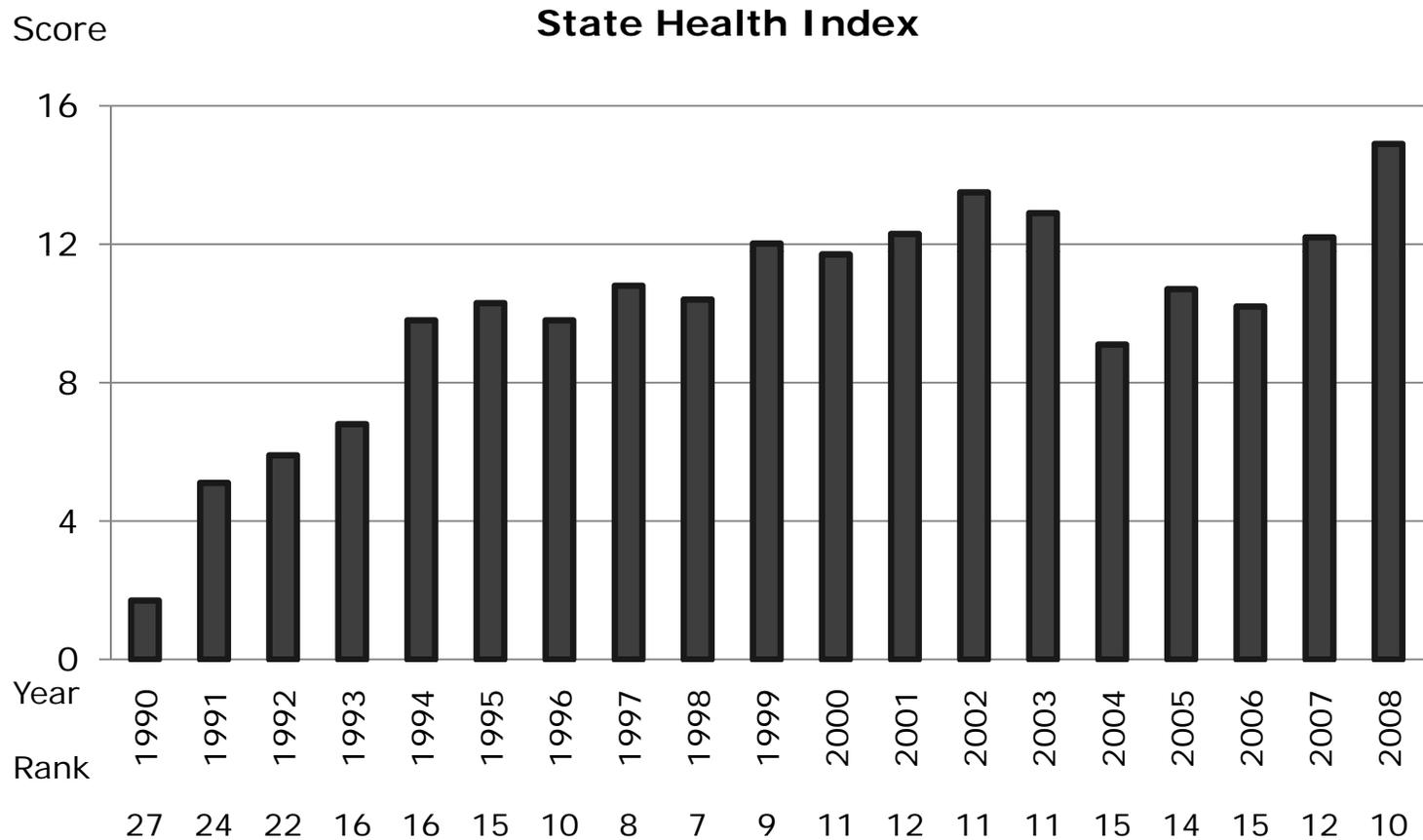
WA ranked in the top 10 in 6 of the 21 individually ranked measures

WA had the 5th highest score improvement since 1990

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Source: United Health Group, ERFC; data through 2008



Education and Skills of the Workforce was the weakest of the five categories

- Education and Skills of the Workforce
 - Ranking:
 - 0 Improved
 - 3 Worsened
 - 2 Unchanged
 - 2 Not Updated
 - Performance
 - 3 Improved
 - 3 Worsened
 - 2 Not Updated

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Education and Skills of the Workforce

Climate Benchmark	Performance	Rank
Fourth Grade Reading	Not Updated	Not Updated
Fourth Grade Math	Worsened	Worsened
Tenth Grade WASL	Worsened	N/A
Student Teacher Ratio	Improved	Unchanged
High School Education or More	Improved	Worsened
Bachelor's Degree or More	Improved	Unchanged
Public College Participation Rate	Worsened	Worsened
Value Added per Hour of Labor in Manufacturing	Not Updated	Not Updated

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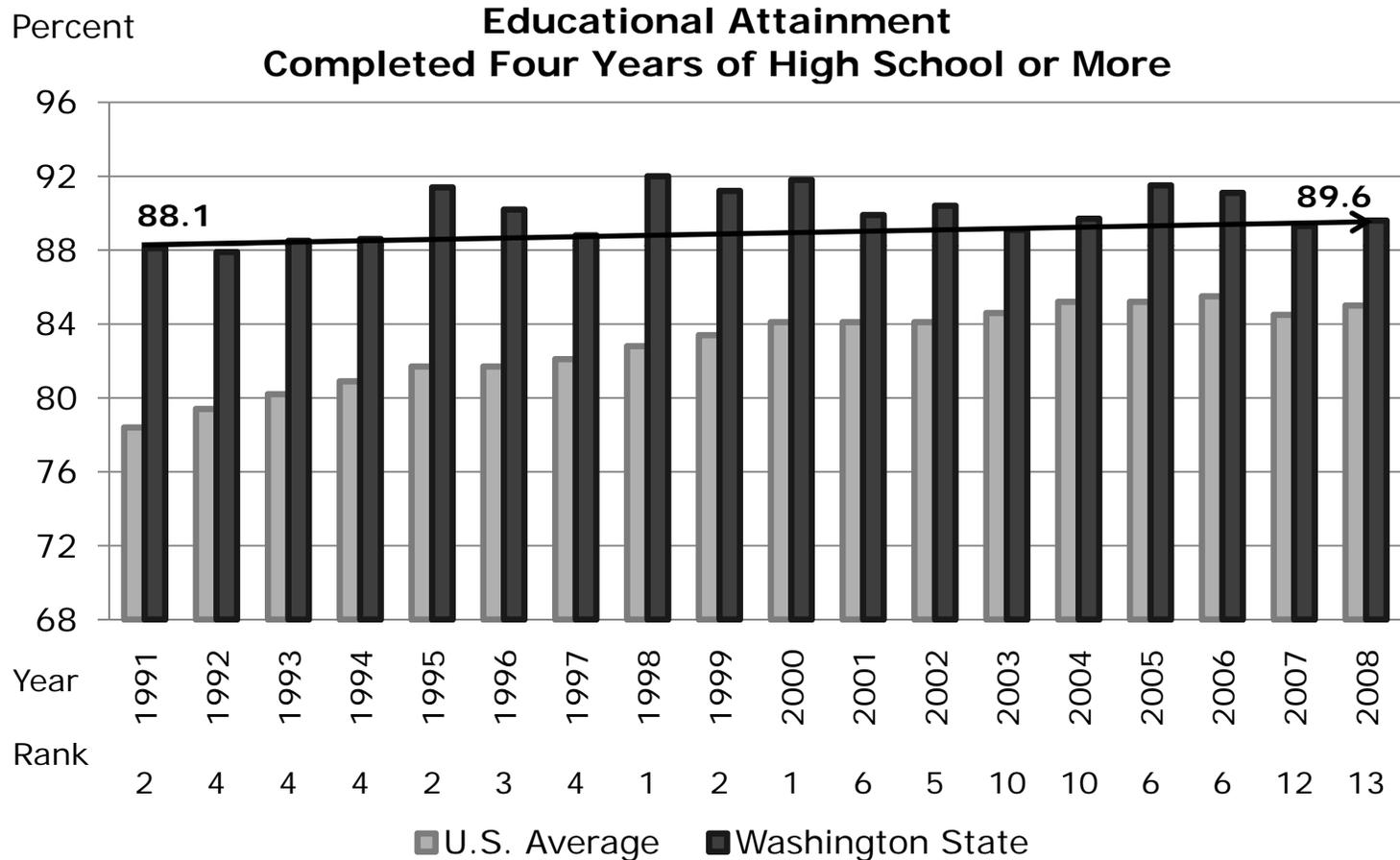


The high school completion has only improved slightly in Washington over the past two decades

Before 2003, WA never ranked lower than 6th in the nation

The 2008 completion rate was 89.6%, down from the 10-year average of 90.6%

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Source: U.S. Department of Commerce, Bureau of the Census, ERFC; data through 2008



Infrastructure generally improved over 2007

- Infrastructure
 - Ranking:
 - 3 Improved
 - 1 Unchanged
 - Performance
 - 3 Improved
 - 1 Worsened

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Infrastructure

Climate Benchmark	Performance	Rank
Interstate Miles in Poor Condition	Improved	Improved
FAA Air Traffic	Improved	Improved
Travel Time Index - Seattle	Improved	Improved
Travel Time Index - Spokane	Worsened	Unchanged

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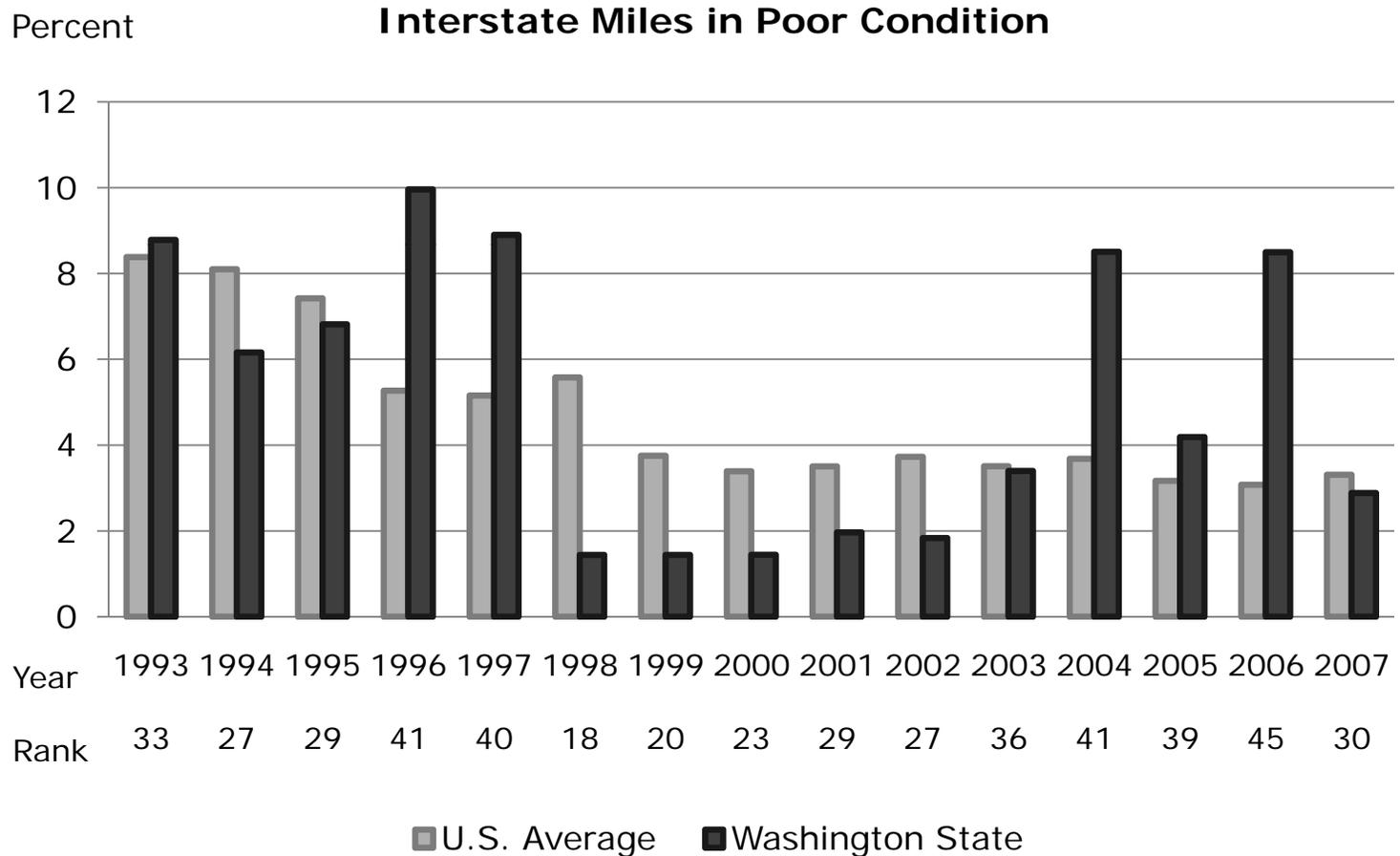


The Interstate condition has improved, although the state still ranks in the bottom half of the nation

The percentage of interstate miles in poor condition declined from 8.5% to 2.9% in 2007

Washington's rank was the highest since 2002 when the percentage of miles in poor condition was 1.8%

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Source: Federal Highway Administration, ERFC; data through 2007

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The State didn't perform well in the Cost of Doing Business rankings

- Cost of Doing Business
 - Ranking:
 - 2 Improved
 - 2 Worsened
 - Performance
 - 3 Improved
 - 1 Worsened

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Cost of Doing Business

Climate Benchmark	Performance	Rank
Tax Collections Per \$1,000 of Income	Improved	Worsened
Unemployment Insurance Costs	Improved	Improved
Workers' Compensation Premium Costs	Improved	Improved
Electricity Costs	Worsened	Worsened
Average Wage by Occupation	N/A	N/A

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Although Tax Collections dropped in 2007, the rank relative to other states worsened

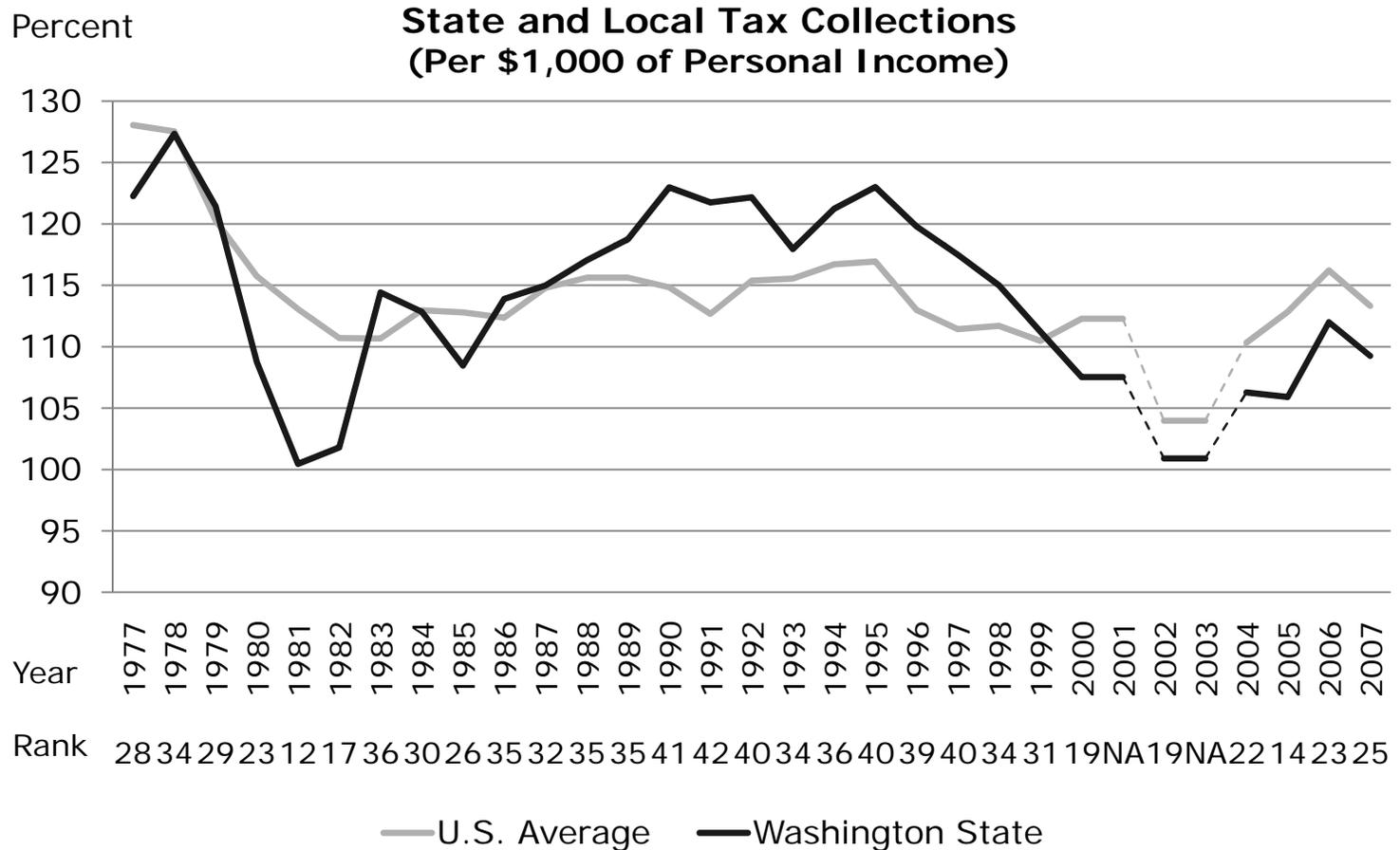
Although costs have come down to their lowest level in two decades, WA still ranks 8th highest in the nation

The high costs are due to WA have one of the most generous programs in the nation in terms of benefits, eligibility, and duration

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Source: U.S. Department of Labor, ERFC; data through 2008

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Unemployment insurance costs have come down to their lowest level since 1989 in Washington

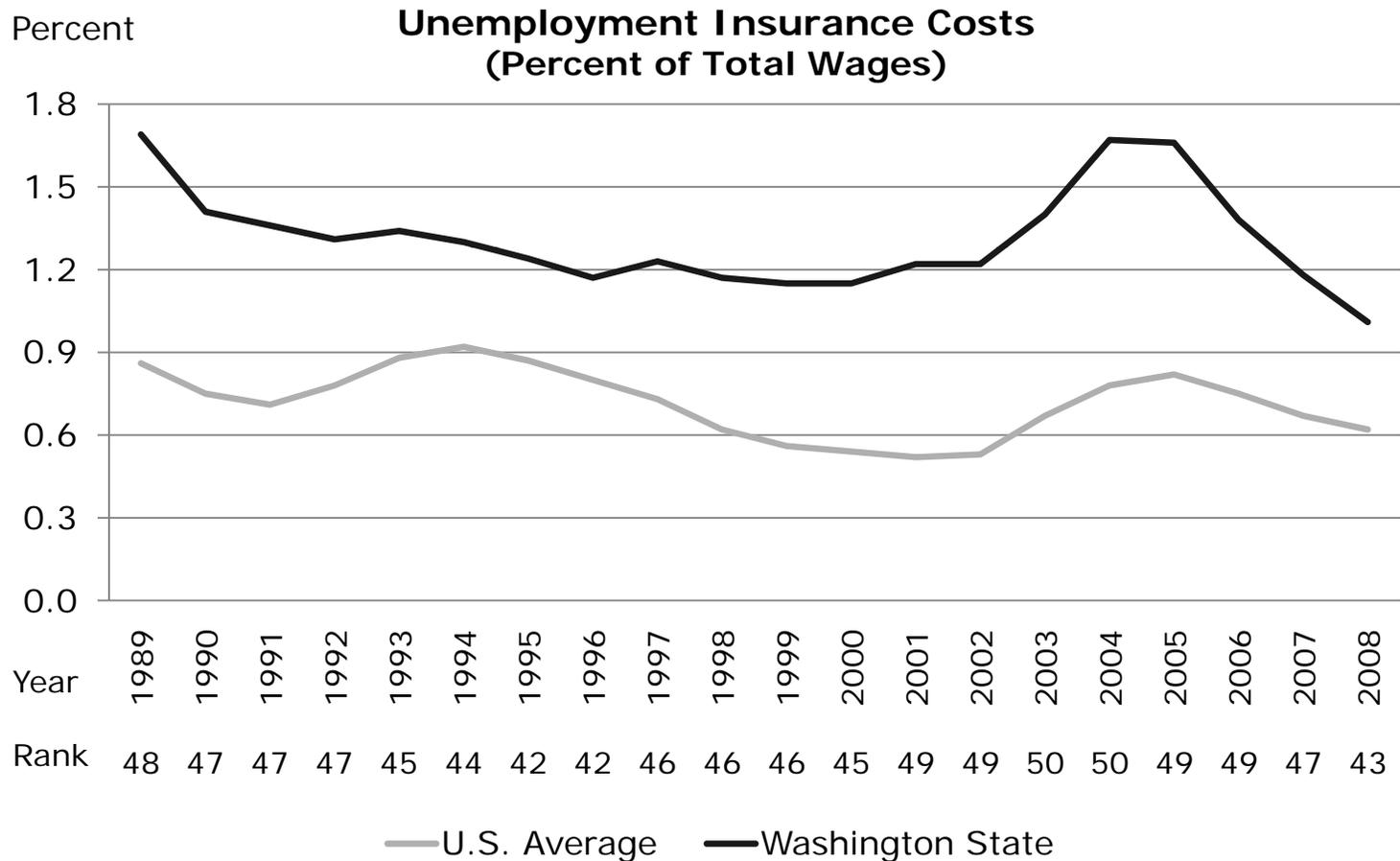
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Source: U.S. Department of Labor, ERFC; data through 2008

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	Improved	Worsened	Unchanged
Rank	13	16	7
Performance	24	12	1

- Overall, Washington's Climate Study indicated lack of improvement
 - Performance compared to past years generally improved
 - Washington's rankings relative to others states regressed
- Results differed across categories
 - Quality of Life and Infrastructure improved
 - Economic Performance and The Cost of Doing Business improved less than previous years
 - Education and Skills of the Workforce was negative



Questions

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