

WASHINGTON STATE

DEPARTMENT OF COMMUNITY, TRADE & ECONOMIC DEVELOPMENT

Strategic Plan

2007 – 2013



2007-2013 Strategic Plan

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INTRODUCTION

The Department of Community Trade and Economic Development's (CTED) strategic plan is designed to meet our mission of investing in Washington's local partners to create and maintain safe, healthy and vibrant communities. The plan represents our intention over the next six years to work together as an integrated, coordinated agency within the broader state enterprise.

We took a significant step in working together with our 2005-2011 strategic plan by creating goals and objectives agency wide. We achieved a basic clarity of purpose that helped us understand how our individual parts contribute to the agency whole.

Our 2007-2013 strategic plan builds on those shared goals and describes the strategies and initiatives that will move us towards our vision. We have spent the past year reviewing our goals for relevancy, speaking to stakeholders about their needs, and analyzing the changing environment, our internal processes, and how we might approach a new framework for our work.

We identified several strategic initiatives from those submitted by our employees to put into action our philosophy of working together. These initiatives include ways to address community needs from a shared approach and improvements to some of our systems and processes that will allow us to manage better and be more accessible to our customers.

As with any strategic plan, we recognize that the fundamental elements will stay fairly constant but the methods and measures we use to achieve our results will necessarily need to adjust as our environment changes.

We know we still have work to complete the plan. By September 2006, we will include performance measures and timelines for our initiatives. We will also develop the legislative and budget proposals around the themes in the strategic plan, with an understanding that this is a six-year, phased process.

Vision, Mission, Goals and Values

VISION, MISSION, GOALS, AND VALUES

Our Vision

CTED multiplies the value of our people, programs and performance through the power of working together.

Our Mission

CTED invests in Washington's communities, businesses and families to build a healthy and prosperous future.

Our Goals

- Build livable, vibrant communities that meet the economic, environmental and social needs of their citizens
- Prepare the State to compete in a global marketplace
- Move low-income and vulnerable families to self-sufficiency
- Improve the health and safety of communities and families
- Provide bold leadership and exceptional service

Our Values

- Stewardship
- Accountability
- Integrity
- Leadership
- Teamwork

Initiative Index

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Current and Ongoing Activities to Support Statewide Results

Current and Ongoing Activities to Support Statewide Results

CTED is proposing a number of initiatives to move the agency forward toward statewide results. This is a summary of CTED's current and ongoing activities to support statewide results that provide the bases for moving forward on the initiatives. The activities are summarized under each of the goals and objectives of CTED strategic plan, with reference to our performance measures for achieving results.

Goal: *Build livable, vibrant communities that meet the economic, environmental and social needs of citizens*

Objective: *Increase local government capacity to meet state Growth Management Act (GMA) requirements to concentrate growth in urban areas. This helps protect natural resources and promotes efficient service delivery and physical activity.*

CTED provides assistance to local governments planning for responsible future growth and development under the state GMA. Assistance includes grants, data, training, technical publications, direct consultation, and guidance to local governments. Guidance to local governments on growth management can also take the form of being involved in appeals of local plans in order to gain clarity on interpretations of the GMA.

Financial assistance also is provided for planning and permitting to Clark and Skamania counties in the Columbia River National Scenic Area. In addition, CTED staffs the Energy Facility Site Evaluation Council (EFSEC) to provide a one-stop permitting and regulatory process for siting major energy facilities in the state of Washington.

Performance Measure: *The percentage of new development occurring within urban areas of the five most populated counties in Western Washington.*

Objective: *Increase community capacity to successfully develop and implement community and economic development plans*

CTED administers many loan and grant programs designed to help communities create and implement community and economic development plans.

- We provide authorization for tax-exempt financing through private activity bond sales for environmental protection, low- to middle-income housing, student loans, industrial development, job creation, and infrastructure facilities. We provide information on local government bond issuances and outstanding general obligation debt for our customers in local government and the finance industry.
- For counties with populations under 200,000 and cities under 50,000, we administer federal Community Development Block Grants (CDBG) to low and moderate-income, small communities to finance infrastructure for community facilities, water and wastewater projects, housing rehabilitation grants, economic development grants and loan programs, and community planning.
- CTED's Small Communities Initiative provides assistance to small, rural communities to plan for and obtain financing for water and wastewater system improvements needed to meet environmental and health regulations.

- We provide staff to the Public Works Board (PWB) to administer low interest loans from the Public Works Trust Fund (PWTF) to local governments for critical public works projects, and administer – on behalf of the Department of Health – the Drinking Water State Revolving Fund Loan and the Water System Acquisition and Rehabilitation Programs for improved drinking water systems.
- We provide Housing Trust Fund (HTF) resources to create affordable housing, and provide programs to preserve the affordability of low-income housing through repair and rehabilitation.
- We administer funding for capital projects that address a variety of community environmental, economic, cultural and recreational needs identified by the Executive and Legislature throughout the state.

In addition, we staff the Municipal Research Council for local government research and education. CTED staff develops fiscal analyses of the impacts of proposed legislation on local government for the Governor and Legislature.

CTED's Energy Policy Division provides policy analysis to ensure the efficient and wise use of energy, and manages the federal State Energy Program and oil funds settlement agreements contracts.

Performance Measures:

- *State funds invested in community housing and infrastructure.*
- *Ratio of non-CTED funding to CTED funding invested.*
- *Construction-related jobs sustained through CTED capital and infrastructure investments (Note: This relates to the jobs generation measure in the next goal).*
- *Number of small communities brought into the Departments of Health and Ecology regulatory compliance through improved water and/or wastewater systems.*
- *Percentage of local government fiscal notes produced on time.*

Goal: Prepare the State to Compete in a Global Marketplace

Objective: Promote job creation and retention by investing in communities and businesses

Successful economic development is locally driven, where communities plan and provide necessary infrastructure they need to expand, retain and attract businesses. The Community Economic Revitalization Board (CERB) makes strategic investments in publicly owned economic development infrastructure projects that serve as catalysts for targeted sector business growth and job creation. CTED also uses federal funds for economic development loans and grants to help finance capital gaps for businesses and provide loans for business-related redevelopment and brownfields site cleanup. By statute, CTED contracts with the Washington Technology Center to facilitate partnerships between universities, private industry, and government to develop and transfer innovative technology to meet company needs in targeted industry sectors.

CTED promotes the state and its businesses in the global and domestic marketplace by actively supporting several targeted industry sectors, including the development and expansion of renewable energy, energy efficiency, fuel cell, and related industries. The Hanford Area Economic Investment Fund is used to fund a lending pool to promote economic activity in Benton and Franklin Counties.

Performance Measures:

- *The total number of jobs generated or retained with CTED assistance.*
- *The percentage of the state's electricity that is derived from renewable sources.*

Objective: Strengthen partnerships with local communities

CTED partners with a variety of local and regional organizations to support a community's economic development efforts. Through technical assistance, specialized training, and information and research services, we strengthen the skills and expertise of community leaders, economic development professionals, and small businesses to accomplish their economic development goals. Our staff provides direct assistance to retain, expand and attract businesses to Washington's communities. Funding is awarded to local entities to plan and carry out economic development activities and services that result in business development, retention, and expansion, job creation and retention, and economic diversification over the short and long term. We provide start up and operating assistance to qualified small business incubators.

Performance Measure: *Number of customers satisfied with CTED service (or very satisfied).*

Objective: Increase exports of Washington's products

CTED promotes strategic market development and increased exports of Washington products and services from Washington companies in targeted industries. Customized services include providing export counseling, making trade leads and referrals, developing and managing trade missions, providing protocol support and coordinating incoming foreign delegation visits, producing foreign language marketing materials, and recruiting for international trade shows. Overseas representatives provide information on Washington to foreign clients, provide marketing information on foreign markets to Washington businesses, and facilitate mutually beneficial economic relations between regions. The Small Business Export Finance Center offers counseling/guidance for export financing and foreign country and foreign buyer risk insurance.

Performance measure: *The number of export sales by Washington companies generated as a result of CTED assistance.*

Objective: Increase Washington's brand awareness in targeted markets

CTED markets the state as a travel destination in order to increase visitor revenues year-round throughout the state, with emphasis on rural or under-visited areas. We assist the state's visitor industry in developing statewide, regional, and community marketing and product development.

Performance Measures:

- *The percentage of consumers aware of Washington's brand.*
- *The return on investment for tourism marketing expenditures.*

Objective: Increase spending by tourists and the film industry

Tourism and the film industry are important economic activities in Washington. CTED provides technical assistance and international and domestic marketing activities, and helps communities that have identified tourism as a part of their economic development strategy. CTED's film office markets

the state as an attractive location, provides technical assistance, and serves as an informational clearinghouse to individuals and entities engaged in film, television, and commercial production in the state.

Performance Measures:

- *The amount of tourism spending by county.*
- *The number of airport arrivals from out of state (when available).*
- *Film industry spending statewide.*

Goal: Move low-income and vulnerable families to self-sufficiency

Objective: Improve the lives of low-income and vulnerable people by increasing community capacity

CTED strengthens the health, safety, self-reliance and economic vitality of individuals and families by building community partnerships to provide service and advocacy. We administer federal Community Services Block Grant (CSBG) funds for communities to develop and provide anti-poverty services and community development activities designed to meet local needs. Funds can be used for direct services, to raise other funds, to support certain capital investments, and to advocate on behalf of people living in poverty. The Re-employment Support Centers program provides the newly unemployed with coordinated services to eliminate emotional, physical, medical, and financial barriers that hamper a person's ability to conduct an effective job search.

CTED administers federal grants to increase the self-sufficiency of low-income families by securing long-term and sustainable fixed-price energy sources, and non-federal energy assistance by participating in the rollout of Washington's wind industry. We also administer the state's Long-Term Care Ombudsman Program to ensure the safety and quality of care of long-term care facility residents by intervening when complaints and situations of possible abuse, neglect or exploitation arise. The Development Disabilities Council advocates on behalf of individuals with developmental disabilities and their families, and manages the Developmental Disabilities Endowment Trust Fund, which helps families save money for the life-long needs of family members who have developmental disabilities. We administer state funds for the federal Retired and Senior Volunteer Program to use volunteers for diverse community needs.

Performance measures:

- *The number of low-income individuals/households receiving employment, emergency and other services that improve their lives.*
- *The percentage of customers satisfied with CTED services (or very satisfied).*

Objective: Increase crisis and support services available to low-income and vulnerable people

The most basic role of government is to promote the health, safety and welfare of its citizens. Homeless population needs go beyond shelter for the night, and include transitional services and permanent housing assistance. A critical component of homeless programs is enhanced measurement of homeless individuals. The state is spearheading the development of a statewide data system, which will allow us to track performance data on programs including total number of homeless and how often they return to emergency shelters. Homeless programs are moving away from

emergency sheltering to service enriched transitional housing programs. The success of these programs can be quantified by how many individuals and families successfully transition out of homelessness, and how many re-enter the emergency shelter system.

CTED's continuum of care system provides housing with supportive services so that individuals and families can successfully move from crisis and shelter to more stable, permanent housing. We administer federal and state funds for operating subsidies to shelter and transitional housing projects, supportive services to the homeless, rental assistance, and construction and/or rehabilitation of shelter and transitional housing projects. We also provide funding is also provided for construction of new or preservation of existing housing for people with special needs, including the chronically mentally ill, physically disabled, developmentally disabled, and persons with AIDS.

CTED provides the only state-funded financial assistance available to mobile home owners forced to move their homes as a result of mobile home park closures. We offer complaint investigation, problem solving and negotiation services to mobile home park owners and residents.

CTED combats hunger and improves health among low-income individuals and families by supporting nutritious food distribution, food banks, and tribal food voucher programs through contracts with community partners. Low-income households receive federal funds through CTED to meet home heating costs and avoid utility shut-off and use of unsafe heating alternatives.

Performance Measures:

- *The percentage of homeless households who return to emergency shelters because they cannot obtain permanent housing.*
- *The annual increase to the existing portfolio of low- income housing units.*
- *The number of participants obtaining food assistance in support of household stability.*
- *The number of households receiving home heating energy assistance.*

Objective: *Increase the number of WorkFirst parents who find and retain employment, and who become self-sufficient.*

Community Jobs is a WorkFirst program that serves parents who are receiving Temporary Assistance to Needy Families (TANF). The Community Jobs program specializes in providing services to people who have tried other WorkFirst programs unsuccessfully but due to multiple barriers, need a combination of work experience and support services.

Performance measure: *The percentage of Community Jobs enrollees that obtain jobs.*

Goal: *Improve the health and safety of communities and families*

Objective: *Improve the health and safety of Washington's built environment*

The safety of the built environment is critical to the health and safety of Washington citizens. It requires adequate regulations, inspections and mitigation of hazards.

CTED staff supports the State Building Code Council's adoption of updated editions of the state building code, and provides technical assistance to the construction industry and studies on building and fire codes. We provide training and certification to ensure that manufactured homes are adequately installed, and administer state and federal manufactured home consumer complaint

programs to protect manufactured home homeowners from substandard housing and ensure industry compliance. We provide services to ensure hazards in homes caused by lead-based paint are mitigated, and provide training, certification, and work practice standards for contractors to do lead-based paint work in residential dwellings and child-occupied facilities.

CTED improves energy efficiency and preserves affordability of low-income housing through funding for local agency and non-profit energy conservation services. We ensure statewide energy security and preparedness by protecting the state's energy infrastructure, especially electricity, petroleum and natural gas. We promote the availability of diverse energy resources through regular emergency planning; coordinate with state, regional, and national entities involved with emergency and security planning; and consider energy emergency/security issues in policy implementation.

CTED provides operating assistance, technical assistance to housing developments, emergency hotel vouchers, partnership development, on-farm infrastructure, and seasonal camps for migrant and local farm workers.

Performance Measures:

- *The percentage of vulnerable individuals living in safe and healthy housing.*
- *The number of deaths per one million residents.*

Objective: Reduce the incidence of substance abuse and violent crime

Both prevention and response to substance abuse and violent crime are keys to building and sustaining healthy and safe communities.

CTED provides Community Mobilization grants for all 39 counties to develop and implement comprehensive strategies to reduce and prevent alcohol, tobacco, other drug abuse, and violence. Federal and state Methamphetamine (Meth) Initiative funds are passed through to local contractors. Project Safe Neighborhoods is a federally funded program to reduce violence by linking existing programs that target gun crime. We provide staff support to the Governor's Council on Substance Abuse to make recommendations to the Governor on statewide goals for substance abuse reduction policies, programs and research. The Residential Substance Abuse Treatment in State Prisons and Local Jails program provides federal funds to state and local corrections treatment programs to increase the number of inmates having access to substance abuse treatment while incarcerated.

CTED distributes state funds to hire special prosecutors for targeted efforts to remove high-level drug traffickers, and provides federal grants to improve capacity to conduct forensic investigation and to improve the criminal justice system. We fund the state patrol to participate in regional drug interdiction efforts and the Governor's Council on Substance Abuse.

The Multi-Jurisdictional Narcotics Task Force Program consists of a network of 20 groups of local, state, and, in some cases, federal law enforcement officers, strategically situated throughout Washington State to provide service to 31 of 39 counties. The task forces work cooperatively to identify, deter, disrupt, and/or dismantle criminal drug-trafficking organizations operating in and through our state, thereby reducing the availability and abuse of controlled substances. Disrupting the drug market reduces profits and, in general raises the risks to those who would manufacture, import and/or distribute narcotics. Washington State task forces also support federal drug enforcement with a second line of defense against international and interstate drug smuggling.

Performance measures:

- *The percentage of Community Mobilization contractors whose evaluations show positive change in family conflict, youth rebelliousness, and school success.*
- *The percentage decrease in methamphetamine labs.*
- *The percentage decrease in drug-related crime.*

Objective: Increase access to support and treatment programs for victims of crime

CTED helps communities develop programs to assist victims by providing funding, training, and consultation. We provide direct services to victims who believe their statutory or constitutional rights have not been upheld, and administer several state and federal programs to fund prevention, advocacy, and treatment services to victims of crime. CTED contracts with the Washington State Association of Court Appointed Special Advocates/Guardian ad Litem (CASA) to provide training, program development assistance, and consultation to local CASA programs. We contract with local law enforcement, courts and prosecutors to enhance the coordination of and response to victims of crime. The Sexual Assault Prevention program funds community-based programs to increase awareness of sexual abuse/assault and help communities prevent sexual violence.

Performance measures:

- *The number of crime victims served through CTED-funded programs.*
- *The percentage of crime victims receiving services through CTED-funded programs, as a percentage of reported crimes.*

Goal: CTED provides bold leadership and exceptional service

CTED's agency administration represents less than two percent of our total operating and capital budgets, and includes services that provide effective direction, management, and support of CTED. All of our programs and fund sources support our agency administration using a combination of direct appropriation and indirect assessments. In addition, the agency negotiates an annual indirect cost rate with the responsible federal agency for the administration of federal funds.

- The Director's Office is responsible for the overall management and leadership of CTED. We provide strategic policy development and research, communications, and government relations.
- Administrative Services provides facility, office, human resource, and information services.
- Financial Services includes budgeting, payroll, accounts payable and accounts receivables functions, contracting, and audit review.

Objective: CTED is willing and eager to face challenges with a sense of confidence**Performance Measures:**

- *The number of recognition awards received by CTED.*
- *Improvement in management team 360 degree evaluation scores.*
- *Increase in positive Baldrige assessment results.*

Objective: CTED products are high quality and professional

Performance Measures:

- The percentage of communications documents that are in compliance with Plain Talk.
- The reduction in the number of contract-related audit findings.
- The increase in the number of staff in compliance with the Office of Financial Management's (OFM) mandatory training requirements.
- The increase in positive customer survey feedback on the CTED web site.

Objective: CTED has the technical expertise that inspires customer confidence

Performance measure: Customers are satisfied (or very satisfied) with CTED's services.

Objective: CTED responds to customers reliably and in a timely manner

Performance measures:

- Contracts management milestones are completed within project timelines.
- Standards for responsiveness are developed by the end of 2005, and expectations contained in Performance Development Plans by May 2006.
- One hundred percent of performance evaluations are completed on time.

Objective: CTED understands and anticipates our customers' needs

Performance measure: A customer feedback strategy is developed and implemented (all agency customer surveys will need to be coordinated – will appoint a team to develop basic questions for all of CTED and coordinate)

Strategic Plan Relationship with Priorities of Government

STRATEGIC PLAN RELATIONSHIP WITH PRIORITIES OF GOVERNMENT

The current strategic plan reflects the breadth of CTED's varied programs and mission and thus covers a wide variety of the Priorities of Government (POG) Results areas. The two main areas of focus, however, are “Improve the economic vitality of business and individuals” and “Improve the safety of people and property”. The strategic plan makes the following linkages with POG as contained in the November 2004 POG Report¹:

POG Element	Strategic Plan Initiative
Improve Economic Vitality for Businesses and Individuals	
Encourage Innovation in Washington Companies	<ul style="list-style-type: none"> Promote and support the growth of Innovation Zones
<ul style="list-style-type: none"> Investment in Infrastructure; and Stabilize CERB funding and re-define the scope of the CERB investment portfolio 	<ul style="list-style-type: none"> Improve capacity and flexibility in the financing of basic local infrastructure and economic development
Support Planning and Leadership	<ul style="list-style-type: none"> Coordinate homeless interagency planning and data collection Develop a statewide plan to address the needs of low-income families
Promotion of Washington Products	<ul style="list-style-type: none"> Expand Export Assistance Services Implement the recommendations of the Global Competitiveness Council
<ul style="list-style-type: none"> Employment and Job creation Promotion of High Wage, High Skills economy 	<ul style="list-style-type: none"> Promote the growth and development of industries and clusters Promote and support the growth of Innovation Zones Link WorkFirst parents to future job opportunities identified by local economic development entities
More affordable housing	<ul style="list-style-type: none"> Pilot a workforce housing strategy for communities with critical needs Coordinate homeless interagency planning and data collection
The availability of evaluation data, particularly return-on-investment	<ul style="list-style-type: none"> Enhance use of Information for management and identifying community trends
Support the 2010 Olympics Task Force	<ul style="list-style-type: none"> Expand 2010 Business and Tourism Opportunities
<ul style="list-style-type: none"> Improve the effectiveness of economic development investment through improved coordination of efforts More community involvement in development strategies 	<ul style="list-style-type: none"> Improve capacity and flexibility in the financing of basic local infrastructure and economic development Develop incentives for local government collaboration
Improve the Safety of People and Property	
Incomes above the poverty line	<ul style="list-style-type: none"> Implement a statewide low-income asset development program
Involve citizens in accident, crime, and fire prevention through education and mobilization and; Target prevention investments in programs shown by well-conducted research to be cost-effective	<ul style="list-style-type: none"> Reduce domestic violence by providing adequate shelters and transitional housing for women and children Lead the State’s Response to Human Trafficking

¹ <http://www.ofm.wa.gov/budget/pog/pdf/pog-screen.pdf>

Descriptions of Initiatives

AGENCY INITIATIVES

Understanding the connections between the following initiatives and CTED's mission require appreciation of the agency's service strategies. CTED pursues state policy direction, in most cases, not as a direct deliverer of services, but through contractors, local governments, businesses and the non-profit sector. CTED is unique in operating as an intermediary between governments, businesses, and the non-profit sector. Among governments, we translate and mediate between the various levels (state, local, federal) when problems require solutions that span across local political boundaries. Our methods are based on building partnerships, not regulation.

Underlying CTED's methodology is the assumption that the success of the state is, in the aggregate, the success of its communities. For our initiatives we recognize this framework and seek improvements within our five goals:

- Build livable, vibrant communities that meet the economic, environmental and social needs of their citizens
- Prepare the State to compete in a global marketplace
- Move low-income and vulnerable families to self-sufficiency
- Improve the health and safety of communities and families
- Provide bold leadership and exceptional service

GOAL: BUILD LIVABLE, VIBRANT COMMUNITIES THAT MEET THE ECONOMIC, ENVIRONMENTAL, AND SOCIAL NEEDS OF CITIZENS

INITIATIVE: Improve capacity and flexibility in the financing of basic local infrastructure and economic development

STRATEGIES: Seek maximum value from state infrastructure investments and
Prepare community infrastructure for globally competitive economic development

BACKGROUND: CTED funds and administers a number of infrastructure grant, loan and technical assistance programs for local and regional governments, special purpose districts, tribes, non-profit entities, private water systems and other operating agencies. From 2001 to 2005, CTED infrastructure funding totaled over \$1 billion.

Spurred by questions about the variety of state programs for infrastructure funding, the 2005 Legislature directed the OFM to conduct a study. The study found fundamental commonalities in both infrastructure funding operations and the systems required to support their management. It suggested that infrastructure programs be managed as “banks”. It also found high client satisfaction but poor understanding of programs; informal inter-program collaboration but no integrated management and reporting; and programs that operate as intended but without an overarching strategic direction.

At the May 2006 session of the Governor’s Economic Vitality Government Management, Accountability and Performance (GMAP) Session, the Governor asked the agency to accelerate our strategies for improving the customer’s experience with our funding programs. These include developing an online application, a customer relationship management system, integrated web portal and service center functions, consolidated contracts, a community-oriented case management approach, and an infrastructure bank with the flexibility to meet changing state and community needs.

CTED has developed several models to enhance integrated teamwork for service delivery and technical assistance in the past. We have seen success with the Small Communities Initiative, the Resource Team, the Washington Community Economic Revitalization Team, and our association with the Infrastructure Assistance Coordinating Council (IACC).

SOLUTION: Support and enhance the best practices in the agency’s infrastructure service delivery mechanisms. Create an agency Infrastructure Roundtable to develop and implement a work plan for system improvements in financial management, communication and reporting, and information technology across infrastructure programs. These integrated improvements will:

- Reduce duplication of efforts;
- Establish common practices, common systems and common reporting;
- Support online applications;
- Create a single portal considering the IACC’s website as a starting point;
- Coordinate and enhance community-based technical assistance, especially for smaller communities.

We will identify agency and management support to encourage greater coordination and collaboration, including additional resources.

Building upon the OFM study's recommendations, we will work closely with OFM and the Legislature to develop alternatives to better manage the programs as a system. In addition, we will explore creative alternatives for financing infrastructure for both basic needs and economic development, including taking advantage of the relative strengths of the state and local revenue systems to help fund infrastructure.

Lead Division: Director's Office

GOAL: BUILD LIVABLE, VIBRANT COMMUNITIES THAT MEET THE ECONOMIC, ENVIRONMENTAL, AND SOCIAL NEEDS OF CITIZENS

INITIATIVE: Provide leadership in local government finance and governance solutions

STRATEGY: Increase the ability of local governments to provide essential services and improve the quality of life for their citizens

Background: Local governments are responsible for providing an array of basic governmental services. While counties and cities fully planning² under the GMA are required to plan for population growth for the next 20 years, including the supporting infrastructure, their ability to generate revenue and obtain state funding has declined or not kept pace with the need. Local governments have been substantially affected by initiatives, tax reductions, an internet tax moratorium and tax exemptions that have reduced their revenues and their capacity to provide adequate services. A number of small cities and counties are in precarious financial shape. All counties are experiencing increased costs for criminal justice and other regional services without a commensurate increase in their tax base.

In urban areas, the cost of providing services and infrastructure has stymied efforts by cities to annex unincorporated areas and there has been no broad-based or comprehensive strategy to address this through legislation. CTED, as requested by the Legislature, completed a study on the barriers to annexation (2004) and participated in an OFM study on local finances and how they were affected by annexation and incorporation (2005). We also conducted a financial and management review of Ferry County in 2005. The review was required by the Governor as a condition of an emergency appropriation to the County. In addition to Ferry County's issues, this review also highlighted the specific conditions and needs for the seven smallest counties in the state, including potential legislation. The studies were well received, but there has been no coordinated follow-through on their recommendations.

A fiscal impact analysis of proposed legislation on local government often provides an early warning that helps to avoid enactment of costly new requirements for local government. The Legislature requires CTED to prepare timely Local Government Fiscal Notes, but financial support for the program has not kept pace with the increasing demands over the past ten years. The number of fiscal note requests rose from 500 in the 1993 session to over 750 in the 2005 session. To address this increasing workload, CTED convened a customer work group in 2004 that identified the need for increased staffing for the program. No action has been taken to meet the staffing recommendations.

SOLUTION: CTED will convene local partners, state agencies and stakeholders to develop a comprehensive strategy to address local government finance and governance issues. The strategy may include specific initiatives to:

- Reduce obstacles for annexation in designated urban growth areas in order to implement the directives of the GMA that call for urban services in urban areas to be delivered by cities;
- Assist local governments in their financial management and service delivery, particularly small jurisdictions;
- Improve Local Government Fiscal Note Program performance;
- Provide individual jurisdiction financial and management consultation as appropriate; and
- Conduct or support research on local finance and governance issues in order to identify effective solutions.

Lead Division: Local Government

² "Fully planning" counties and cities include 29 counties and the 218 cities within them that are mandated or chose to adopt comprehensive plans and development regulations pursuant to RCW 36.70A.040.

GOAL: BUILD LIVABLE, VIBRANT COMMUNITIES THAT MEET THE ECONOMIC, ENVIRONMENTAL, AND SOCIAL NEEDS OF CITIZENS**INITIATIVE: Develop incentives for local government collaboration**

STRATEGY: Increase the ability of local governments to provide essential services and improve quality of life for their citizens

BACKGROUND: Many regions in Washington State experience lengthy delays and inefficiencies in providing public facilities and services to some areas due to conflict between cities, counties, special districts and private providers. These entities sometimes have disputes over issues regarding jurisdictional boundaries, cost/revenue sharing, or standards of service. These disputes can result in lost opportunities for economic development, increased tension between jurisdictions, duplication of costs when jurisdictions compete for the same service areas, and sometimes lengthy and costly legal action.

Currently, CTED funding and technical assistance to individual entities does not require examination of appropriate regional planning and collaboration efforts to help ensure that state or federal funding is being used to benefit the citizens of the entire region. Some funding programs, such as Growth Management competitive grants, provide higher levels of funding for applications from multiple jurisdictions. But these do not provide incentives for a larger region to collaborate toward solutions.

For example, in the past two legislative sessions the issue of school siting has been the subject of legislative proposals. School Districts and local governments are sometimes at odds when school districts acquire property on the outskirts of town, sometimes in rural or even agriculture zones because the land costs are lower. This thwarts the comprehensive planning goals of cities and counties. There are few incentives for these key government entities to work together. CTED and Office of the Superintendent of Public Instruction (OSPI) have been discussing how we can partner on identifying solutions.

SOLUTION: This initiative would explore establishing a set of funding incentives for regions, consisting of two or more cities and counties and other partners, for collaborative approaches to planning/permitting, provision of public services and facilities, and other issues. Incentives could potentially include, but not be limited to, establishment of a specific grant program for qualifying projects, bonus points for existing funding programs, prioritization for technical assistance, creation of cross-division assistance teams, or providing facilitators/ mediators. The first phase of this effort will be preparing an inventory of issues and potential incentives, accompanied by a feasibility assessment.

CTED may seek additional federal or state legislative authorization for some funding sources to pursue this initiative. However, a strong case may be made for such authorization by demonstrating the efficiencies of regional collaboration in providing public facilities and services, especially in the long term as jurisdictional disputes are resolved.

CTED and OSPI will convene a forum of school district officials, local government elected officials, planners, public health and public works managers and other interested citizens to identify prime issues for future legislative or administrative actions on school siting and financing. This forum will be scheduled in the fall of 2006. CTED will also earmark a limited amount of Growth Management grant funds in FY 2007 for two pilot projects that support local government and school district collaboration.

Lead Division: Local Government

GOAL: BUILD LIVABLE, VIBRANT COMMUNITIES THAT MEET THE ECONOMIC, ENVIRONMENTAL, AND SOCIAL NEEDS OF CITIZENS

INITIATIVE: Pilot a workforce housing strategy for communities with critical needs

STRATEGY: Increase the ability of local governments to provide essential services and improve quality of life for their citizens

BACKGROUND: As a recent Washington Research Council report states: “No economy can function properly without a robust housing stock... Housing plays a crucial role in making state and regional economies thrive.”³ Newly elected officials in the Puget Sound region predict that affordable housing will be one of the most significant issues in the region ten years from now.⁴ In fact, Washington already has an affordable housing crisis.

In Homeownership:

- Only four states have median home prices higher than Washington – Hawaii, California, New Jersey and Massachusetts.
- In 2005 we had the 10th most rapid increase in home prices in the nation (18.4 percent)
- Washington ranks 45th in the percentage of homeownership among states.
- 300,000 low-income families in Washington were competing for about 44,000 affordable homes in 2004

In Rental Housing:

- 35 percent of Washington’s households are renters.
- A minimum wage earner must work 79 hours per week to afford the Fair Market Rent for a two-bedroom apartment in Washington.
- “There is not one county, not one city, not one neighborhood in Washington where a single person earning minimum wage can afford a one-bedroom apartment at Fair Market Rent.”⁵
- In the past six months, 19 manufactured housing parks have given notice of closure – displacing 857 households.
- More than 12,000 subsidized rental units are “at risk of loss” to market forces.

Washington’s GMA provides for efficient development patterns in urban areas that can be served by existing infrastructure and discourages urban sprawl. If we are to achieve the affordable housing goal of the GMA, communities must provide a variety of housing choices in urban areas for all income levels that are attractive, accessible to parks, transit, work, shopping, and other amenities. However, as the population increases and the economy improves, land prices in urban areas will continue to increase and add to the cost of housing. A large segment of the population can’t afford housing that is close to their job—including teachers and police officers. In faster-growing areas of the state, average miles traveled per capita continue to increase. Total vehicle miles traveled in the Puget Sound area will increase over 30 percent by the year 2030 if current trends continue.⁶ Long commutes and sprawling development patterns increase housing costs, and take a toll on the environment, infrastructure and family/community time. Business development and recruitment is affected by housing availability and prices. Rising gasoline prices provide an incentive for workers to consider

³ Washington Research Council, 2005

⁴ Puget Sound Regional Council, January 2006

⁵ Washington Low Income Housing Alliance, 2005

⁶ *Puget Sound Trends: Growth in Traffic and Vehicle Miles Traveled*, Puget Sound Regional Council, August 2005.

something other than the traditional single family home with a backyard in return for a shorter commute, increased family time and improved quality of life.

It is difficult for developers to cost effectively build housing in many urban areas given current outdated standards that limit development at higher densities. Local governments and developers are also faced with neighborhood resistance to development at higher densities. A number of local governments have removed regulatory barriers to affordable housing development in urban areas, such as setback and right-of-way requirements, but many are still operating with outdated development codes. Many have also developed design requirements to ensure new development fits into existing neighborhoods, but resistance is still difficult to overcome without significant public outreach and education.

A few local governments have instituted mortgage assistance or other programs for public employees, but workforce housing for those above 80 percent of the median income is largely left out of government-assisted or incentivized programs. We have an opportunity to bring the existing high-capacity network of housing organizations and public funders together in the development of public and private market solutions to the state's work force housing needs. If we are proactive now, we can avoid the housing affordability constraints that could inhibit the state from being globally competitive.

SOLUTION: This effort will promote legislative, land use and financing strategies to provide more housing choices to all income levels, particularly in urban areas with higher land and housing prices. This initiative provides a partnership opportunity between the Housing, Trade and Economic Development, and Local Government Divisions, as well as with the development, real estate industries and local governments. Potential actions could include:

- Providing state funding and/or assistance to entities like community land trusts that own land so that qualifying buyers only need to purchase the unit itself.
- Providing state funding and/or technical assistance to local governments and/or the private sector to update regulations or provide incentive tools, such as inclusionary zoning, co-op housing, density bonuses, transfer of development credits, or location-efficient mortgages.
- Updating CTED's *Affordable by Design* website with more case studies and best practices based on a national literature and program review. *Affordable by Design* provides information and outstanding examples of housing developments whose principles of planning; design and implementation can be applied in other communities.
- Funding local efforts to improve design to make compact housing choices more attractive.
- Engage other state agencies to seek changes in their practices, and possibly their legislative authority, that will promote housing and transportation choices consistent with the GMA.

Initial scoping will involve the Affordable Housing Advisory Board, Housing Finance Commission (HFC), Housing Partnership, Realtors and Master Builders and other interested stakeholders. We anticipate using contracted assistance initially rather than seeking additional staff.

Division Co-leads: Housing and Local Government

GOAL: BUILD LIVABLE, VIBRANT COMMUNITIES THAT MEET THE ECONOMIC, ENVIRONMENTAL, AND SOCIAL NEEDS OF CITIZENS

INITIATIVE: Reduce greenhouse gas emissions and incorporate climate change impacts into agency resource decisions

STRATEGY: Respond to Global Warming

BACKGROUND: Global warming presents significant economic and environmental risks to the state. Effective responses will require:

- Adaptation – modification of planning, investments and actions to respond to changes in precipitation and temperature; and
- Mitigation – reduction of greenhouse gas (GHG) emissions.

The state lacks a cross agency, multi-disciplinary approach to addressing both GHG reduction and response to the impacts of climate change. While the West Coast Governors Global Warming Initiative has been the impetus for important actions on GHG reductions there is a need for a more comprehensive and state-focused effort on both emissions reductions and adaptation strategies.

- Eighty-Five percent of Washington’s GHG emissions come from the production and use of energy. The Energy Policy Division has the policy and technical expertise to lead on development of GHG reduction strategies and policies.
- CTED has many programs that fund infrastructure statewide (PWB, CDBG, and HTF). Many of the facilities that receive funding will likely be subject to the impacts of global warming, e.g. wastewater, seawalls, etc. In addition, our Growth Management group will need to address the planning implications of global warming.
- The Department of Ecology (DOE) and CTED are jointly sponsoring an analysis of the economic impacts of global warming costs in Washington and are updating the state’s GHG inventory, both in anticipation of proposed global warming Governor’s actions and legislative proposals for the 07-09 biennium.

SOLUTION: We will work as part of a multi-agency effort to more systematically address the problem. Specifically the Energy Policy Division and CTED would:

1. Assume a lead role in developing energy-related GHG reduction policies and strategies with DOE, the Washington State University climate center, and other state agencies, and
2. Work with CTED and DOE on adaptation issues, especially related to global warming impacts on infrastructure planning and investment and on growth management planning.

To be most effective this effort would require additional staffing.

Lead Division: Energy Policy

GOAL: PREPARE THE STATE TO COMPETE IN A GLOBAL MARKETPLACE**INITIATIVE: Expand Export Assistance Services**

STRATEGY: Prepare companies to export products and services

BACKGROUND: Washington and its businesses benefit by being competitive in a global marketplace. CTED provides technical services for companies in targeted industries to increase exports of Washington products and services to strategic markets. Some key measures for the effectiveness of this work are the number of companies that export, the number of different markets and market segments a company exports to, and a company's sales growth in an existing market.

While CTED has an active export assistance service, there are key areas where this service can grow to better serve the state's regions and companies to enhance our position as a global competitor. These areas are:

- Broadening the reach of service to all counties of the state;
- Directing services to companies without previous export experience;
- Attracting more companies for secondary markets;
- Capturing opportunities in emerging markets; and
- Integrating program services currently offered in CTED with those of its partners to better assist clients and improve results.

SOLUTION: CTED will expand its export assistance service through a strategic approach based on the following steps:

- Expanding membership of the targeted industry matrix teams and broadening the team objectives to incorporate trade as an integral function of business expansion services.
- Cross-training staff that work with local governments in the fundamentals of export assistance as well as economic development.
- Providing e-business access for clients to information and services.
- Building capacity for export assistance services by working through local partners across the state. This includes, expanding strategic partnerships with in-state organizations to enhance services and delivery.
- Developing proactive strategies for foreign investment attraction and tourism in targeted markets to maximize the return on CTED's investment in a foreign office network.
- Developing strategies for capturing opportunities in major emerging markets and helping to implement the Governor's Global Competitiveness Report.
- Continuing to fine-tune performance based approach to contracts for foreign market representation and management of targeted industry programs.

Lead Division: Trade and Economic Development

GOAL: PREPARE THE STATE TO COMPETE IN A GLOBAL MARKETPLACE**INITIATIVE: Expand 2010 Olympic Games Business and Tourism Opportunities**

STRATEGIES: Prepare companies to export products and services and
Promote the state of Washington as a place to visit and to locate business

BACKGROUND: Advancing the 2010 Olympic Games strategies is a high priority for CTED. Local and state agencies, private and public organizations, and our British Columbia neighbors are expecting a “legacy result” from our collaborative efforts. Legacy results are those that extend well beyond the actual event and can include:

- Improved communications at the local level, signage, coordination of traffic flows and emergency preparedness at border crossings;
- Increased global awareness of Washington State and the greater Northwest as a destination for tourism and commerce;
- An increased perception of the greater Pacific Northwest as a center of expertise in sustainable solutions to global problems;
- Reduction of barriers to trade across the border;
- Joint strategies for solutions to regional skilled labor shortages; and,
- Institutionalization of communication and dialogue channels between British Columbia and Washington State through which we can continue to address common issues in the future.

By building on efforts from the Governor’s 2010 Olympic Task Force and working in partnership with communities, other Olympic organizations, the Pacific Northwest Economic Region, federal and state networks, CTED will be able to build a legacy that will carry forward from the Olympic event itself.

SOLUTION: CTED will develop key promotional messages concerning Washington as a Gateway to 2010 – for tourists, for businesspersons from the United States and around the world, and for members of the media. CTED will also develop a strategy for greater in-market representation in Vancouver to promote business and tourism for Washington State. This presence will help to advance Washington as a state that supports new businesses. It will also open doors to business partnerships that advance economic development on both sides of the border.

To implement the promotional strategy, CTED will conduct seminars throughout the state to introduce companies to the potential opportunities created by the 2010 Games. Included in the seminars will be basic information about trade and business development opportunities with Canada that highlights achievements and subcontracting opportunities.

CTED will assist the 2010 Task Force and sub-committees by submitting policy and strategic recommendations to the Governor, which will include such aspects as work force development, reduction of trade barriers and joint transportation and border solutions.

CTED will seek methods to leverage Washington’s reputation for and leadership in sustainability by showcasing our leading edge technologies, products and services, as well as civic planning, to attract business, and to expand trade in our promotional strategy.

There are also opportunities for Washington based on the sporting event itself. CTED will support communities and winter sports facilities in their bids for competitions and sport showcase events, as well as in attracting Olympic teams for practice sites. These and other events and activities will be

used to increase international media awareness of Washington State and partners before, during and after the 2010 Olympics.

CTED will maximize the opportunities for tourism investment in the state by considering opportunities to introduce Washington's key messages for tourism, business development and 2010 Gateway at SeaTac. CTED can partner with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games to promote the 2010 Olympics at destination and travel sites in Seattle and other Washington areas.

In an effort to ensure that the entire state reaps a benefit from the 2010 Games, CTED will monitor all strategies to ensure that all regions of the state have access to opportunities. In addition, we will develop opportunities for First Nations communities and businesses of Washington State to engage with the Four Host First Nations Secretariat of 2010 for tourism and business opportunities.

Lead Division: Trade and Economic Development

GOAL: PREPARE THE STATE TO COMPETE IN A GLOBAL MARKETPLACE**INITIATIVE: Promote and support the growth of Innovation Zones**

STRATEGY: Retain, expand and attract globally competitive companies that provide family wage jobs

BACKGROUND: Washington is the “innovation state”. As such, it requires a robust economic development strategy to support innovation in its key industries. The world’s most successful companies operate in environments that provide highly skilled workers, research institutions, leading edge products, and substantial public resources. In Washington, aerospace, value-added agriculture and food processing, clean energy, and companies and researchers in the life sciences are all global leaders in their fields. The state’s economic development strategies must, therefore, support innovation to ensure these companies continue to excel in the global marketplace.

In 2006, CTED and the Governor’s Office embarked on an effort to develop innovation zones as a refinement to existing policy and to build on the recommendations of the Global Competitiveness Council. The Governor provided funding for six grants to encourage local collaborations to explore the nature and implications of Innovation Zones as an economic and workforce development approach.

The goal of the 2006 initial grant program is to provide incentives to a small, competitively selected group of local organizations to research the best way to determine where existing concentrations of skills, innovative companies, research institutions, and public entities can work together. It is the first step toward supporting and creating such concentrations of innovation throughout Washington State and in developing a strategy of driving public resources toward areas with unique concentrations of innovative activity.

The effort is designed to facilitate collaborations between public research institutions, innovative companies engaged in advanced technology adoption and work organization strategies, the public sector, workforce development professionals, and entities that promote innovation and economic activity. The partnerships are in a unique position to maximize the benefit of specifically directed investments in skill building, infrastructure, and other public resources as a method to increase global competitiveness.

SOLUTION: As the results of the initial grants are completed, CTED will work with the Governor’s Office to develop strategies and proposals for shaping and implementing a statewide Innovation Zones strategy, and for prioritizing investment and service delivery to our targeted industries to foster and support innovation.

Lead Division: Trade and Economic Development

GOAL: PREPARE THE STATE TO COMPETE IN A GLOBAL MARKETPLACE**INITIATIVE: Promote the growth and development of Washington’s key industries**

STRATEGY: Retain, expand and attract globally competitive companies that provide family wage jobs

BACKGROUND:

In 2005, relying on industry cluster data and information compiled by both Dr. Paul Sommers and Deloitte, CTED identified a number of targeted industries around which to focus the agency’s business development and trade resources. The industries that CTED targeted include: aerospace, value-added agriculture and food processing, clean energy, forest products, life sciences, research, marine services, technology and tourism. CTED has reorganized its business development and trade efforts around those targets through the formation of “service delivery teams”. The teams allow CTED to develop expertise and develop relationships within these industries.

SOLUTION: CTED will continue to develop its targeted industry service delivery teams to implement state’s priorities for economic development – workforce, infrastructure, promoting the state as a place to do business, and making it easier to do business with the state.

As the teams mature, CTED will build on the strengths of its partner agencies and organizations such as the Office of Regulatory Assistance, the Washington Technology Center, the Washington Manufacturing Service, the State Board for Community and Technical Colleges (SBCTC), and the Workforce Training Coordinating Board (WFTCB) among other organizations, by inviting their participation in its targeted industry efforts.

The evolved teams may be more fluid in their composition so that membership on the teams can evolve based both on business cycles, active projects, and local needs and initiatives. The targeted industry matrix teams will balance strategically directed trade and business development service delivery and rapid responsiveness to business opportunities as they arise. The resulting flexibility and breadth of knowledge of the targeted industry matrix teams will serve to motivate the long-term objective of completing a supply-chain in this state for one of our targeted industries.

This type of service delivery and the data it creates will provide the Legislature and the Governor’s Office with information on key policy decisions concerning the state’s resources for workforce and infrastructure, regulatory issues and balancing service delivery with dollar investment, to best support these key industries.

Lead Division: Trade and Economic Development

GOAL: PREPARE THE STATE TO COMPETE IN A GLOBAL MARKETPLACE**INITIATIVE: Support regional and local efforts to foster and strengthen industry clusters**

STRATEGY: Retain, expand and attract globally competitive companies that provide family wage jobs

BACKGROUND: In 2006, the Legislature passed 2SHB 2498 to create a grant program to support the development of regional clusters during the 2006-2007 fiscal year.

Clallam County has been the state model for a locally driven cluster-based economic development strategy, and has been recognized for its award-winning cluster strategy. The locally identified clusters cover industries such as agriculture, education and training, forestry resources, marine services, technology, and tourism.

The Clallam County Plan focused on creating Industry Cluster Groups composed of representatives from the same or similar industries for the purpose of identifying and discussing industry finance, regulatory, infrastructure and workforce issues. Public and private training providers were invited to participate in group meetings to foster understanding between employers and providers. Cluster activities are designed to be industry/employer driven and are intended to address the immediate and long-term development needs of the industry in question.

CTED policy, determined in collaboration with the members of the Advisory Committee – SBCTC, WFTB, the Employment Security Department, the Association of Washington Businesses, and Labor—uses the Clallam County cluster plan as a model and benchmark for other areas undertaking regional economic development plans. In addition, CTED has done substantial work with the Office of Regulatory Assistance to facilitate the permitting process on locally driven economic development projects.

SOLUTION: CTED will continue to work with its partner agencies and organizations to support locally driven cluster-based economic development. The initial grant program was the first step in implementing a statewide cluster-based development policy. CTED continues to work with applicants who did not receive funding to develop their plans. Additionally, policy refinement and change discussions will continue with the Legislature and the Governor's Office to carry forward the grant program. Essential to long term, local economic success is CTED's work with local governments – moving the grant recipients ahead with their strategies and assisting unfunded applicants with development of more refined plans addressing workforce, infrastructure, finance and a marketing strategy to support the driver industries of local economic clusters. A significant piece of this work will be to encourage the creation of local cluster industry associations across the state. Eventually, the cluster-based strategy may encompass the development of a long-term objective to complete a supply-chain needs assessment for one regional economic cluster.

Lead Division: Trade and Economic Development

GOAL: PREPARE THE STATE TO COMPETE IN A GLOBAL MARKETPLACE**INITIATIVE: Link WorkFirst parents to future job opportunities identified by local economic development entities**

STRATEGIES: Retain, expand and attract globally competitive companies that provide family wage jobs and
Enhance local capacity to meet the needs of the most vulnerable

BACKGROUND: The Bridge pilot program began in 2005 with three successful projects; however it was only funded for one year. The projects, in Clallam, Skagit, and Yakima counties, proved to be very successful in recruiting, training and placing WorkFirst parents in jobs. Over 250 businesses participated, 160 WorkFirst parents found jobs, 19 vocational skill classes were offered, and 35 different community partners worked together in providing the program. Knowing that a good job could be a likely result of participation, parents were motivated to complete work preparation training that included work skills and basic vocational training. Employers who were locating or expanding in these locations were pleased to have their workforce needs met.

SOLUTION: Re-create the Bridge program and expand it to other interested sites. Make it an on-going program.

- Seek permanent funding from state, federal or private sources.
- Recruit and renew interest from local communities to host the program.
- Train local partnerships on the best practices and alternatives that were learned in the pilot.

When the pilot project was announced, only three of the 23 communities indicating an interest were funded. The Bridge program is a win-win situation because local economic development organizations frequently know the plans of businesses that will be expanding or relocating, and their anticipated work force needs. Advance notice enables local WorkFirst partnerships to locate and train TANF parents for these new jobs.

Lead Division: Community Services

GOAL: PREPARE THE STATE TO COMPETE IN A GLOBAL MARKETPLACE**INITIATIVE: Implement the recommendations of the Global Competitiveness Council (GCC)**

STRATEGY: Promote the state of Washington as a place to visit and to locate business

BACKGROUND:

To maintain and enhance its global competitiveness, Washington State must develop a flexible, but long-term plan. Recognizing that in today's global economy, corporations can be headquartered anywhere on the globe, our state needs to have a clear understanding of what currently makes us an attractive economic partner and what it will take for us to meet the rising bar of global competition... Today, companies make investments based upon a myriad of criteria - quality of life, good schools, workforce readiness, transportation, infrastructure, real estate pricing, taxes and the regulatory environment. Our state has these attributes, but they are useless unless their value is understood around the world. Washington State, local and regional governments, businesses, academia, labor and other organizations are obliged to work together in elevating our state in each of these categories and then in marketing our assets globally.

Global Competitiveness Council Marketing Committee Report, 2006

In 2006, the GCC recommended that the state develop and implement a sustained global marketing strategy to competitively position Washington State as a world-class, premier location for business, products, services and education. This includes developing a comprehensive global promotion plan for Washington State. In order to position Washington State as a world-class economic partner we must both invest in the necessary infrastructure and aggressively promote the state as a place to do business and visit. In the age of globalization, promotion itself is an investment.

The goals of CTED's competitive promotion plan are to proactively promote trade for targeted industry sectors in markets with a strong strategic fit, increase tourism, attract new businesses and investment from around the world, and attract the best minds to Washington's higher education institutions. The underlying strategy targets both markets and customers, and builds upon and around existing marketing programs and venues.

SOLUTION: The objective is to better align international opportunities for Washington's competitiveness with more aggressive, proactive strategies in existing target markets, diversifying international market coverage and attracting new foreign direct investment. To meet these strategic goals, CTED will develop a global business attraction and promotion strategy that includes an expansion of the role of CTED's foreign offices to give attention to foreign direct investment and tourism in addition to trade. This will include an implementation plan for the recommendations from the Governor's GCC Report, specifically including:

- Organizing a global business attraction and promotion campaign to include trade, business attraction, tourism, education, arts and culture;
- Securing necessary funding and designated revenue streams to implement a comprehensive strategy; and,
- Leveraging existing resources, such as: regional initiatives, local partners, local celebrities and talent, tribes, other state agencies, higher education, and arts organizations.

Lead Division: Trade and Economic Development

GOAL: MOVE LOW-INCOME AND VULNERABLE FAMILIES TO SELF-SUFFICIENCY**INITIATIVE:** Develop a statewide plan to address the needs of low-income families**STRATEGY:** Enhance local capacity to meet the needs of the most vulnerable families

BACKGROUND: The Community Service Division is responsible for the administration of the CSBG that funds Community Action Agencies. Community Action Agencies are required to do needs assessments aimed at providing better services to address poverty. In order to get a fuller sense of the needs as they are consolidated at the state level, the Community Service Division held Community Forums in 14 communities around the state. Approximately 500 individuals who represented service providers, citizens, consumers, and elected officials attended the Forums. These Forums identified the challenges facing low-income families that prevent them from achieving economic stability and independence. Forum participants worked on strategies that would help resolve or reduce many of the challenges facing low-income households.

While the forums provided valuable information about the problems related to poverty, a prioritization process is now needed.

SOLUTION: Form a Poverty Advisory Committee that will assist in prioritizing poverty policies and program initiatives for the next five years. The strategies from the Community Forums cover many policy, program, best practices and system issues. It will be important for CTED have the benefit of a broad perspective in devising a plan that best utilizes the data from this study to improve the success of low-income families.

The Poverty Advisory Committee will:

- Determine the priority and value of suggested strategies;
- Utilize CTED to research issues and best practices from other states; and
- Develop a realistic implementation plan considering resources and decision authority.

Lead Division: Community Services

GOAL: MOVE LOW-INCOME AND VULNERABLE FAMILIES TO SELF-SUFFICIENCY**INITIATIVE: Implement a statewide low-income asset development program**

STRATEGY: Enhance local capacity to meet the needs of the most vulnerable families

BACKGROUND: Low-income asset development is an effective tool to help low-income households gain a financial footing and have choices regarding their futures. Over the past 10 years, asset development has emerged as a potent and proven strategy to advance the lives of working low- and moderate-income households. In other states and regions, policies backed by an array of state, federal and private funds are supporting actions that improve the financial smarts and decisions of low- and moderate-income people. The result is verified evidence of increased saving, investing and making purchases by these families to better their lives.

Currently in Washington, there is much concern and interest across the state regarding asset building needs and unmet opportunities. There is a need for statewide policies and actions to focus efforts and interests toward common goals. Only a few local areas are presently coordinating asset-building activities and only three counties currently have received federal Assets for Independence matching funds (Health and Human Services) – though more is available. CTED's modest state IDA program funds fewer than 300 accounts in seven local projects.

Results in Washington and elsewhere have shown that home ownership, business creation and higher education is possible for low-income workers if help is provided. The now defunct TANF funded IDA program (2000-04) resulted in 239 former welfare-eligible accountholders saving \$560,000. This was matched by \$1.1 million in TANF funds and leveraged over \$17 million in loans to start businesses and purchase homes.

Past TANF-funded Earned Income Tax Credit (EITC) outreach campaigns (no longer funded) resulted in \$106 million additional EITC returns to low income Washington residents in a four-year period for a \$1.5 million investment. Existing volunteer tax preparation help is limited, uncoordinated and under supported. It is estimated by Internal Revenue Service studies that at least 60,000 eligible Washington residents are not currently filing for EITC (average return of \$1,800 per filer). Even a five percent improvement could yield a nearly \$20 million increase per year.

SOLUTION: CTED will provide leadership with an array of state and local private and public organizations to expand asset building across the state. Strategic elements for state and local action may include:

- Expanding local IDA projects and doubling savings match funds by pursuing federal matching funds.
- Promoting the EITC to improve the 'take-up' rate by supporting expansion and improved coordination of existing volunteer tax prep networks and aggressively marketing EITC to eligible families.
- Promoting increased savings rates and use of banks by the 20 percent of adults who do not have bank accounts (banking the "unbanked").
- Training low-income youth and adults in financial literacy skills to decrease the use of same day lenders and other high-cost lenders.

Lead Division: Community Services

GOAL: MOVE LOW-INCOME AND VULNERABLE FAMILIES TO SELF-SUFFICIENCY**INITIATIVE: Coordinate Homeless Interagency Planning and Data Collection**

STRATEGY: Enhance local capacity to meet the needs of the most vulnerable families

BACKGROUND: Historically assisting homeless persons has been done in isolation, primarily by local non-profit organizations. Although clearly addressing an urgent need, the overall response has been piecemeal and lacking a central focus. Some strides were made in 1999 under the Homeless Families Plan to coordinate services between local providers and the Department of Social and Health Services to families, but systemic integration for all populations is still lacking.

Individual homeless programs created since the 1980's have made strides in improving the information collected on the numbers and characteristics of persons served, but obtaining actual program and community-wide outcomes has not been possible with fragmented programs and no central initiative to collect outcome data.

Despite efforts thus far, in the face of dramatically increasing housing costs and stagnant lower-tier wages, homelessness is still a major problem. The 2006 point in time count of homeless persons identified 27,982 persons as homeless, 5,364 of which were living outside.

In 2005 the Legislature passed the Homelessness Housing and Assistance Act, mandating that county governments take responsibility for reducing homelessness by 50 percent in ten years in exchange for \$16 million in new funding. As required by the Act, homeless plans have been adopted by almost every county in the state, and the first annual statewide point in time count of homeless persons was completed January 26, 2006. Under the Act and federal funding requirements, homeless management information systems are being deployed across the state to collect comprehensive outcome data on homeless programs.

In 2006 the Governor created the Interagency Council on Homelessness (ICH), which was also codified into law by the Legislature.

SOLUTION: The ICH will serve as a focal point for coordinating the state response to homelessness. CTED is working with state agency partners through the ICH to implement cross-agency initiatives that will demonstrate both effective service delivery and cost savings to local and state government.

Initiatives being considered include:

1. Housing for persons being released from state correctional facilities to both reduce homelessness and reduce recidivism;
2. Housing for youth aging out of foster care;
3. Housing options for homeless veterans

The ICH has just begun the process of identifying opportunities for cross-agency collaboration, and CTED plans to use the new state funds provided by the Homelessness Housing and Assistance Act to help launch these collaborations.

The goal is to create model program/projects that demonstrate cross system integration and government cost savings, so that they can be replicated statewide to reduce homelessness without additional large expenditures of state funds.

To measure the effectiveness of these new initiatives and the existing homeless services system, CTED is working in partnership with local governments to implement homeless management information systems (HMIS) statewide. These systems will, for the first time, allow state and local policy makers to measure the effectiveness by measuring the rate at which persons provided services return to homelessness over time. The flow of persons between service providers, types of services, and geographic regions can be explored using HMIS.

The ICH has also expressed a keen interest in trying to bring together the data on homeless clients served by different state agencies, in the hopes of calculating the true costs of serving homeless persons and finding ways to improve program effectiveness.

The new outcome data will allow the ICH to meaningfully measure the success of its initiatives, and progress toward implementing the state's ten-year plan to reduce homelessness by 50 percent.

Lead Division: Housing

GOAL: IMPROVE THE HEALTH AND SAFETY OF COMMUNITIES AND FAMILIES**INITIATIVE: Reduce domestic violence by providing adequate shelters and transitional housing for women and children****STRATEGY:** Address the needs of the citizens who are most vulnerable to crime

BACKGROUND: Each year 35,000 women, many with children, are unable to find a shelter due to insufficient capacity. The result is that most live on the streets, in cars, or return home to their abusers. The majority of these women do not have access to enough money to pay for an apartment or house, so they must depend on homeless shelters and transitional housing in order to work their way to self-sufficiency. Many homeless shelters for domestic violence victims must maintain a high level of security in order to keep perpetrators at bay. Most of these family units need other types of services such as therapy, recovery and counseling services to plan and accomplish the steps to a healthy life and self-sufficiency. Cooperative victim support programs offered in partnership with local law enforcement and prosecutors are vital to prevent further abuse.

SOLUTION:

- Increase the capacity of specialized homeless shelters to house the victims of domestic violence.
- Support prosecution of the perpetrator by providing Victims/Witness assistance and legal advocacy.
- Provide adequate family (or individual) recovery support services so that the family can become emotionally and economically self-sufficient.
- Provide leadership and advocacy in proposing statewide and local solutions that reduce the incidence of domestic violence and sexual assault.
- Increase program accountability by improving data systems that track services, results and unmet needs.
- Identify the resources necessary to expand the program capacity through state, federal and private sources.

Lead Division: Community Services

GOAL: IMPROVE THE HEALTH AND SAFETY OF COMMUNITIES AND FAMILIES**INITIATIVE: Lead the state's response to human trafficking**

STRATEGY: Address the needs of the citizens who are most vulnerable to crime

BACKGROUND: Washington is a primary port of entry for illegal shipments of humans to work as unpaid, undocumented workers in the sex trade, as well as other industries. CTED's Office of Crime Victims Advocacy (OCVA) has been designated by the legislature to provide leadership to a task force charged with creating a system to serve these victims. The victims of human trafficking have trauma from physical injury, legal issues, cultural disorientation, fear, and as well as language barriers, that must be considered. A coordinated response from an array of service providers, along with local, state, and federal law enforcement, is necessary to create a plan to provide adequate, seamless services to these victims.

SOLUTION:

- The task force will identify the key elements of a service delivery strategy and resource needs for the program.
- Training will be developed and provided to practitioners and managers of the impacted service components.
- OCVA will contract with local and state service providers, manage contracts, and provide data and reports on program progress.

Lead Division: Community Services

GOAL: IMPROVE THE HEALTH AND SAFETY OF COMMUNITIES AND FAMILIES**INITIATIVE: Reduce the impact of methamphetamine drug use on community systems**

STRATEGY: Coordinate internal and external resources to optimize funding in the fight against Methamphetamine

BACKGROUND: Methamphetamine production and use have risen sharply in recent years. In 2001, Washington State ranked nationally among the top five states in meth production. Consequently, local Community Mobilization programs in all 39 counties received federal “Meth Initiative” funding to support local “Meth Action Teams.” Positive results have already been demonstrated through the Washington Meth Initiative. There has been a significant increase in monitoring of precursor sales and a decrease in domestic production.

While domestic lab production has decreased, meth use and the importation of the drug have increased:

- DOE reported a total of 1,337 incidents for 2004, a 9.7 percent decrease from 2003.
- From 2002 to 2004, there has been a 15 percent increase in availability of meth, based upon evidence submitted to the Washington State Crime Labs.
- According to federal law enforcement agencies, the increase in the availability of methamphetamine is attributed to increased importation from Mexico.

Drug Endangered Children (DEC)

The proliferation of clandestine labs manufacturing Meth since 2001 highlighted the plight of drug endangered children found at 40 percent of the lab sites investigated. This led to a push in Washington State to establish standard protocols for law enforcement, prosecution, medical services, and child protective services to ensure proper care for these children. In a recent survey conducted by CTED, less than 50 percent of the counties have implemented the protocols.

Federal Byrne Justice Assistance Grant

Alarming, the largest funding source in the fight against illegal drug manufacturing and trafficking is drying up. In FY 2006, Washington State’s funding for the Justice Assistance Grant was 40 percent less than the previous Byrne allocation, a \$4 million reduction.

SOLUTION: CTED, in partnership with the Washington State Patrol, will take the lead in coordinating efforts to combat meth by jointly staffing the Governor’s Meth Coordinating Committee. CTED will develop a comprehensive intervention plan, which includes the Local Government public safety programs; Housing restoration through the HTF and CDBG funds; and the assistance to local businesses through the Brownfields Project in the Economic Development Division.

The legislature has charged CTED with conducting two studies: 1) whether the meth action teams have sufficient resources to do their job and are meeting their goals; and 2) whether the multi-jurisdictional task force have sufficient resources and are meeting their goals. CTED is to report to the legislature by November 1 of this year with the study results. CTED will actively support the recommendations of both studies and proactively seek funding to implement the respective recommendations.

CTED will support the Governor’s Office, national associations, local governments, and CTED’s stakeholders in their efforts to increase federal funding to combat meth.

LEAD DIVISION: Local Government

GOAL: PROVIDE BOLD LEADERSHIP AND EXCEPTIONAL SERVICE**INITIATIVE: Develop online applications**

STRATEGY: Make it easier for our customers to do business with CTED

BACKGROUND: Many of CTED's programs administer grants and loans. When customers (public, semi-public, and non-profit organizations) apply for a grant or loan through CTED, the process is paper-intensive. Though customers can generally download our applications from the web, they cannot enter information or interact with our program support specialists through the web.

Over the last ten years, more and more people and organizations gained access to technology and the Internet. Customers now expect to be able to conduct business online. We must join our customers where they now work and provide the infrastructure that allows them to apply for our services through web-enabled systems.

We also miss an opportunity to collect, store, and analyze data about our customers because our current application processes are not web-enabled. By moving our application processes to a web-enabled system that stores information in a central database, we would maintain better and more accessible records of our customers' basic information and of our own services. This data would include geographical information that has substantial value to the legislature, the governor, and other state agencies and programs.

Additionally, the retention of customer data would further enhance service. Many of our customers access multiple CTED services or access the same service year after year. When they apply for a new or renewed service, a web-enabled application would recognize the customer and retrieve existing data, allowing the customer to update basic information instead of beginning anew.

The state of Washington is looking to attract innovative, world-class businesses. The State has also won numerous "Digital State" awards. It is time for CTED to join the digital revolution and to present a modern face to our customers.

SOLUTION: CTED will develop web-enabled applications that allow our customers to apply for services and assistance over the Internet. Data will be stored in a central database.

We will migrate our applications to the web incrementally. We will seek a program candidate for the initial phase of development. By starting small, we will develop experience and reduce risk. We will apply what we learn to additional programs over time.

Throughout the process, we will engage in a systematic analysis of current application requirements, processes, and common data.

We will look internally and seek assistance from other agencies to identify best practices, potential models, and perhaps transferable technology to quick-start our project.

We will pursue legislation where necessary to eliminate the need for hard copy submissions and original signatures.

To facilitate authenticity and security of web-based customer transactions, we will need to develop the capacity to establish secure electronic signatures.

LEAD DIVISION: Administrative Services

GOAL: PROVIDE BOLD LEADERSHIP AND EXCEPTIONAL SERVICE

INITIATIVE: Standardize and improve our contracting process

STRATEGY: Make it easier for our customers to do business with CTED

BACKGROUND:

CTED manages and disperses over two billion dollars through almost 5000 active contracts and loan agreements. The current contracting process is managed independently within each of six major divisions of CTED. The lack of an enterprise approach to contract and loan agreement development and management results in a loss of efficiency both for our customers and for CTED. For example, a single community based organization may contract with two or more divisions, resulting in a duplication of effort on the part of the contractor and of CTED.

The following chart displays the areas of overlap within the infrastructure programs. Similar functions also occur in the Housing and Community Services Division.

Common Program Processes	PWB	CDBG	Capital Facilities (Competitive)	CERB	Capital Facilities (Member-added)
Technical Assistance					
On-site (one-on-one)	X	X	X	X	
Workshops and Group Assistance	X	X	X		
Phone	X	X	X	X	X
Application Guideline Development	X	X	X	X	
Application Completion Assistance	X	X	X	X	
Application Review	X	X	X	X	
Data Entry	X	X	X	X	X
Monitoring of Projects	X	X	X	X	X
Pre-contract Development	X	X	X	X	X
Pre-contract Project Monitoring			X	X	X
Contract Execution	X	X	X	X	X
Grant/Loan Monitoring	X	X	X	X	X
Database Development and Maintenance	X	X	X	X	X
Loan Repayment Processing	X			X	

- Two or More Common Processes
- Four or More Common Processes

SOLUTION: Take steps to plan and implement a standardized approach to various components of CTED’s routine contracting processes – such as handling applications, billings, accounts receivable, invoices, payables, fund balance management, and loan processing and account management. Recognizing areas of common need and overlap would support agency investments in the improved use of technology, for example: on-line applications, digital signatures, Electronic Fund Transfer payments, and data management.

CTED will begin working on the parts of the process unique to our core business practices while continuing to partner with OFM on the State’s enterprise-wide Roadmap project .

LEAD DIVISION: Financial Services

GOAL: PROVIDE BOLD LEADERSHIP AND EXCEPTIONAL SERVICE

INITIATIVE: Enhance our web presence and the support the Governor's web portal for business

STRATEGY: Make it easier for our customers to do business with CTED

BACKGROUND: The Internet has become a primary and powerful means for attracting business and tourism to Washington State. The Internet is also a potentially powerful means for communicating information about state programs. CTED must improve its web presence to communicate with more confidence and to better serve our customers and the public.

CTED's program-centric orientation has allowed the agency to systemically under-invest in central agency-wide solutions and services. Just as the state of Washington is recognizing the need to approach central administrative systems from an enterprise perspective, CTED is recognizing the need for collaboration across the agency enterprise. We can achieve a much stronger vision and presence by working together in an integrated manner.

CTED is also an important partner in the Governor's Business Web Portal. To ensure the success of the statewide portal, CTED needs to dramatically improve its web presence. Enhancements to CTED's website will improve the content and usability of the statewide portal.

SOLUTION: The agency will develop a website that is well organized to meet our customer's needs rather than presenting information from the perspective of programs. We will engage in systematic usability testing to ensure that our presence addresses our customers' needs and that finding and retrieving information is an intuitive process. We will develop a database query system that supports information sharing among and across CTED programs.

We will ensure that all changes and enhancements are coordinated with and through the Governor's Business Web Portal project.

Additionally, as a member/partner in the IACC, we have worked with other members to develop a website and simple grant and loan search tool to assist local governments in finding potential funding for infrastructure. We will seek resources to help support the efforts of the IACC to upgrade and keep current the website information.

LEAD DIVISION: Administrative Services

GOAL: PROVIDE BOLD LEADERSHIP AND EXCEPTIONAL SERVICE

INITIATIVE: Explore the feasibility of expanding deployment of the Customer Relationship Management (CRM) system to other programs.

STRATEGY: Improve our data collection and analytical capacity

BACKGROUND: CTED's programs have long-valued strong, effective relationships with program customers. Technology has driven new CRM systems that help organizations improve the customer's experience and support internal efficiency. CTED needs to leverage available CRM technology to improve service and to build even stronger relationships with our customers.

Currently, customer information is retained in program-specific records. We have no systematic way for one program to know that a customer is applying for or when they use services elsewhere in the agency. If customer information changes, the customer must update records with each individual program. CTED cannot continue to rely upon informal sharing among its various units about customer information, needs and the organizations' response. The information is simply too important.

CRM technology would deliver a central database of customer information containing information about past and current transactions, questions, services and contacts. Our customers (and the employees who assist them) would have quick access to their records, current issues and interests. Additionally, the systematic collection and organization of customer information makes possible self-service channels through the Internet, telephone and wireless applications.

SOLUTION: Deploy an integrated customer relationship management system across CTED's programs. The acquisition of software tools will be integrated with internal business practices to take advantage of CRM benefits. The greater the use of a CRM, the more valuable it becomes to CTED and the state of Washington.

CTED has already conducted an initial implementation phase in the traditional business recruitment, retention and expansion activities of the international trade unit. We are in the process of deploying CRM to the economic development unit as well. The rest of the agency will realize the CRM advantages in additional phased rollouts. The next phases will add complexity and value with site-specific components that relate to our local government and non-profit customers and projects.

Although our customers generally represent a finite number of entities (cities, counties, special districts) that have frequently done business with us in the past, we have yet to establish a consistent identification mechanism to retrieve information across programs. An important first step in becoming more client-oriented will be to identify our customers through a uniform account number across all programs and services for our customers. We will incrementally add customer identification fields to existing systems and forms.

LEAD DIVISION: Administrative Services

GOAL: PROVIDE BOLD LEADERSHIP AND EXCEPTIONAL SERVICE**INITIATIVE: Design, create and implement a data warehouse**

STRATEGY: Improve our data collection and analytical capacity

BACKGROUND: CTED has hundreds of disparate databases storing a large quantity of business data. The data resides in many formats and applications and was created without consideration of enterprise-wide benefits from sharing or analysis. Having the data reside in a single central repository from which the data could be further aggregated, analyzed, and mined would allow CTED to be more effective in measuring performance, allocating resources, and planning for investments.

Currently some data is not secured or backed up based on agency wide standards. CTED misses opportunities for acquiring and training in sophisticated software tools that don't make sound business sense from the perspective a single small program but would if utilized across the agency.

The consolidation of data could also have other benefits such as:

- Lowered risk from lost data;
- Less reliance on outside contractors or key individuals;
- Opportunity to populate data for customer self-service applications;
- Support for improved agency customer service support applications;
- Integration with geographic information system (GIS) capability for advanced trend analysis;
- Sharing with other state agencies and policymakers.
- Reduced data duplication and related reconciliation for reporting purposes.
- Opportunities to define comparable data across programs.
- Opportunity to integrate external data from agencies such as Employment Security, U.S. Census, and Department of Revenue to add value to the state enterprise.

The value of the centralized database would be enhanced through the use of geographic information software to display, query and analyze the underlying data. CTED already has GIS software and some expertise that might be leveraged into providing an agency-wide benefit if data were appropriately organized and defined. One example is the use of the GIS system to prepare for a Governor's GMAP presentation. For the first time, cross-program investments in infrastructure were available in a GIS format.

SOLUTION: Create a single repository for agency data with appropriate tools and resources to access, maintain, display, analyze and mine data for business value. Programs would not be dependent on one-of-a-kind systems and non-mainstream software. Staff could be cross-trained to add depth to our operations.

An enterprise-wide data dictionary would be constructed, reducing mistakes and enhancing understanding across the agency.

An enterprise data model could be constructed and maintained and updated as new reporting requirements are identified.

LEAD DIVISION: Administrative Services

GOAL: PROVIDE BOLD LEADERSHIP AND EXCEPTIONAL SERVICE

INITIATIVE: Enhance the use of information for management and identifying community trends

STRATEGY: Improve our data collection and analytical capacity

BACKGROUND: While CTED and the state have a wealth of data about communities, it does not have the capacity to access and analyze the data to further program goals and develop opportunities. Unlike many agencies, there is no research office that provides analysis and access to CTED programs and other potential users of our data. With the primary service delivery model being based on geographical and political units of government, it makes sense for CTED to develop the capacity to analyze population and economic data at the community level.

CTED programs currently track data that is readily available and relevant to their specific purposes. However, there is limited capacity in each program to identify and track community-based data, and there is virtually no integration of community data across CTED. There is also little data available at a statewide level on community-based statewide efforts such as Growth Management, and therefore limited ability to track its effectiveness and how the GMA might be refined.

Further, CTED does not make widespread use of GIS system capabilities to help analyze and make accessible the data it does have. For an organization oriented around providing services to specific locations, the use of geographic information tools makes sound business sense.

Having skilled multi-disciplinary research staff (either in house or via contract) is needed to add value to our data and results for the state and our customers. Partnering with agencies such as the Municipal Research Services Center could provide additional access to local data sources.

SOLUTION: Establish a function within CTED for researching and collecting existing data on Washington communities. The function would make this information readily available on the desktops of CTED staff in a form that is useful for their daily business operations. In addition, they would provide the missing ingredient of sophisticated analysis and data manipulation needed for analyzing community requests for grant funds, prioritizing CTED assistance, tracking correlation of CTED programs with results in communities, responding to legislative inquiries, and developing decision packages. It could also make key information available to partners and stakeholders via the agency website. Establishing a research agenda and prioritizing issues to be researched by staff or through contract will be an essential first step.

Because geographic data is "layered", the development of the database itself can be accomplished incrementally on a value-added basis as needed if the underlying GIS architecture is sound and disciplined.

Potential uses include:

- Targeting resources based on community needs;
- Anticipating trends;
- Evaluating effectiveness of cumulative local actions on statewide policy goals (e.g., Growth Management Indicators);
- Evaluating capacity, need and return on investment (For example, demonstrating how low-income housing investment results in cost savings in other public services);
- Providing information to potential business wishing to locate in Washington; and
- Providing reliable and consistent information to policymakers

LEAD DIVISION: Director's Office

GOAL: PROVIDE BOLD LEADERSHIP AND EXCEPTIONAL SERVICE**INITIATIVE: Strengthen portfolio management through a Housing Trust Fund pilot**

STRATEGY: Improve our data collection and analytical capacity

BACKGROUND: CTED provides a little over one billion dollars in capital investments for grants and loans to projects statewide. Subsequent to the completion of grant and loan projects the agency conducts a variety of monitoring activities to protect the state's investments. As CTED's portfolios grow and age a more robust approach to asset management is needed, including a systematic approach to data collection and financial analysis. In no program is this need more evident than in the HTF. The HTF lacks sufficient information to specifically document the health and long-term management needs of the portfolio. This has resulted in:

- Audit findings – in regard to monitoring and risk assessment.
- Inefficiencies - Information is not consistently shared between state and local public funders, particularly in regards to technical assistance activities.
- Too much paper - the program receives over 600 annual reports. Valuable staff time is used to organize and process instead of exclusively carrying out data analysis and follow up. A wealth of information is provided in each report, however, none of it is being captured in an electronic format that would allow for automated analysis of project performance or local trends.
- Inadequate Financial Analysis – awards are structured and restructured without a systematic analysis of the impact to the income stream of the portfolio. The HTF is administered using loan repayments and changes to this revenue stream can have significant consequences to capacity of the program to meet ongoing management activities.

Continued effort and focus is needed to assess and make improvements to the asset management and monitoring functions of the HTF portfolio. Fully assessing the current health of the portfolio and creating a baseline analysis to project future needs is imperative to ensuring protection of the state's interest and long-term project viability.

SOLUTION: Three simultaneous strategies are needed to successfully enhance the management of the HTF portfolio including:

- An analysis of workload and business processes:
 - ✓ Documenting activities and timelines associated with asset management functions;
 - ✓ Determining appropriate staffing levels and resources necessary for managing the portfolio;
 - ✓ Analyzing for areas to gain efficiencies through technology or changes in work flowing processing and response time on asset management requests.
- Working with public funders and affordable housing providers to scope and develop a web-based tool for annual reporting:
 - ✓ Consulting with public funders and reporting organizations to develop a system, which will meet all parties' needs;
 - ✓ Continuing to improve interim solutions for tracking and analyzing annual reporting with public funders to improve information sharing techniques; and
 - ✓ Working with public funders to improve information-sharing techniques.
- Conducting a financial analysis of the HTF and developing a financial model including revenue projections:

- ✓ Bringing in expertise in the form of staff or a contractor capable of providing this kind of financial analysis;
- ✓ Developing a baseline of the HTF's financials; and
- ✓ Developing systems to maintain this information and provide ongoing financing recommendations for statutory changes necessary to assure the long-term sustainability of the HTF.

These strategies will result in:

- A complete picture of HTF finances, creating a sound basis for budgeting activities as well as consistent criteria for award structuring.
- Improved data collection and development of performance indicators for individual projects and their organizations. Reflecting this information back to organizations will enhance the performance of these projects.
- Ability to analyze trends based on type of client served, geographic region, project size, and operating costs.
- Redirection of staff time to providing proactive problem solving to at-risk projects. This will also enhance the financial stability of these projects and the entire HTF portfolio.
- Improved processing and response time on asset management requests.

Lessons learned from these efforts can be transferred across the agency to enhance portfolio management in all CTED grant and loan programs.

LEAD DIVISION: Housing

Environmental Conditions and Trends

ENVIRONMENTAL CONDITIONS AND TRENDS

This section describes current and future challenges for CTED to address. It is not intended to predict the future, but rather to offer a reasoned analysis of current conditions and trends that can inform alternative choices for CTED.

Business Environment

National Economy⁷

The U.S. economy, buffeted by the war on terrorism, major hurricanes, and sharp increases in oil prices during 2005 and 2006, continues to perform fairly well. Slower growth is expected over the next two years as the economic recovery matures. Also, a long-predicted slowdown in the housing market caused by high prices and rising mortgage rates could further slow economic growth.

According to the Center on Budget and Policy Priorities report of August 2004, the most recent data from 1979 to 2001 adjusted for inflation shows that the average after-tax income of the top one per cent of the population rose by \$408,000 or 139 percent. The average income of the middle fifth of the households rose \$6,300 or 17 percent, and the average income of the bottom fifth rose just \$1,100 or 8 percent, over this period. This would seem to indicate that families in poverty or are struggling to make ends meet have been left behind or left out of America's economic progress.

Redirection of federal resources to the war and homeland security has resulted in reductions in federal funds that directly benefit communities, families and individuals. Direct cuts to community development and law enforcement programs are currently being proposed by Congress, as well as cuts in other programs that are used in conjunction with state programs to serve the state's low-income population.

According to the Congressional Budget Office, the President's 2007 budget for domestic discretionary spending, where CTED's federal grants are concentrated, are estimated to decline in nominal terms below the funding levels for 2006. Grants to state and local governments (other than for disaster relief programs) make up about one-third of the non-defense discretionary funding for 2007 in the President's budget—a total of \$165 billion. That amount is about \$3 billion, or 2 percent, less than the corresponding figure for 2006. The federal budget proposes to reduce grant funding for criminal justice programs by 56 percent, for economic development by 30 percent, for homeland security by 10 percent, and for social services programs by seven percent. According to the President's own budget projections, funding for grants to state and local government for capital investment will decline in real terms from \$55 billion in 2006 to \$48 billion in 2011.

Health care costs will continue to grow rapidly, with Medicare spending expected to increase 8.9 percent and Medicaid spending 8.3 percent from 2008 to 2016, and to continue increasing beyond 2016. Employment growth is forecast to slow from 1.6 percent in 2005, to 1.5 percent in 2006, and 1.2 percent in 2007. The unemployment rate is expected to remain low with rates of 4.89 percent and 4.98 percent in 2006 and 2007, respectively. National forecasts predict an inflation rate of 2.9 percent in 2005, which will decline to 2.5 percent and 2.2 percent in 2006 and 2007.

Higher energy prices that contributed to the increase in 2005's overall inflation rate are expected to decline by 2007, resulting in a lower rate of inflation. Although the federal government continues to largely ignore both the perils of global warming and the need for strong greenhouse gas emissions reductions, it appears that such inaction will change and major national policies will emerge in the next six years. Congress will continue to debate energy issues, but federal energy policy responses will

⁷ Primary Source: Washington Department of Revenue.

likely be piecemeal. Rising petroleum prices, concern about global warming, and improving technology will mean that domestic and international demand for wind, solar, energy efficiency and other new/smart/clean technologies will continue apace.

Washington Economy

Washington's recovering economy is evident in tax collections for 2005. State tax collections increased 7.2 percent in Fiscal Year (FY) 2004 and 6.0 percent in FY 2005; compared to a 0.3 percent decline in FY 2002 and the 2.6 percent growth in FY 2003. Higher gas taxes beginning in 2004 and real estate excise tax receipts were both contributing factors.

Washington's long-term outlook appears positive. Given Washington's position on the Pacific Rim, export-oriented industries such as aerospace, forest products, and agriculture will benefit from Asian economic growth. A significant share of U.S. trade with Asia is expected to pass through Washington ports. In addition, the state's abundant knowledge-based industries such as software and biotechnology are expected to lead future economic growth. Encouraging innovation and global collaboration and trade are opportunities that could enhance our competitiveness and maintain our advantages.

Washington is the fourth largest exporting state in the United States, not including exports by Microsoft. It appears that technology, aerospace, and agriculture will continue to generate economic growth in Washington in 2006 and beyond. CTED will help Washington leverage its international trading strength.

Several factors contribute to the comparative strength of Washington outlook:

- In the next 25 years, worldwide aircraft demand is expected to remain healthy. However, the trend of increasing out-sourcing of aerospace production will continue.
- Washington will maintain a relatively healthy manufacturing base. For example, agriculture and food products in the state will continue to benefit from improving access to worldwide food markets, and many of these markets are in fast-growing developing countries. The state's high-wage durable goods and high-technology industries will benefit from the expected trend toward lower and more stable real interest rates, accompanied by increasing international demand for capital goods.
- A more integrated global economy will help expand state exports and stimulate export related business activities. In addition, Washington has a geographic advantage in attracting foreign investment.
- Recent business expansion and investment activities suggest that Washington has the critical mass required to attract high-tech manufacturing and knowledge-based business service industries. The high wage jobs offered by these industries will help raise per capita income.

However, as the map below shows, while Washington State as a whole is moving forward, economic vitality is not evenly distributed. One indicator is growth in per capita income. Rural counties have generally under-performed urban areas, and resource-dependent areas have suffered slower or even negative growth. CTED's economic development programs such as CERB and CDBG are targeted to rural areas. These programs, while effective on a project-by-project basis, are not enough to overcome these areas' economic disadvantages.

Many of our state energy-intensive industries that relied on low energy prices prior to the 2000/2001 West Coast energy crisis are unlikely to return due to relatively older factories and increased global competition. Regional and state impacts of global warming will be increasingly apparent. Washington and the Northwest are already experiencing rising temperatures and declining snow packs. However, the 2006 biofuels legislation has set Washington on a course to become a leader in biofuels development. CTED and other state agencies will be working closely together to assess the economic

implications of these trends, to work with the biofuels industry, and to take full advantage of opportunities for alternative energy development.

From a family perspective, the cost of basic living is assumed to remain high or to rise. For example, the proportionate share of family income devoted to energy-related price rises, increasing interest rates and skyrocketing housing prices is growing. The effect on individual purchasing and location decisions are likely to be felt over the next several years as families adjust to the increased costs for housing and commuting.

Economic improvement will increase pressure on infrastructure and transportation facilities and will likely result in higher housing prices. Tax exempt financing through the bond cap allocation program will be more attractive as interest rates rise, and we have an opportunity for strategic marketing of this resource.

Business Climate

Globalization and the “flattened” web-enabled world have unique significance for Washington State and CTED. As the most trade-dependent state in the country, Washington must look to other countries rather than other states for comparison. The new social, political, and business models that are emerging offer both opportunities and threats to Washington’s businesses and economy. Competition will not be between Washington and other states, but between the region and other countries.

CTED invests in many ways to improve the quality of life and competitiveness of our businesses and citizens.

Through CTED’s investments in local businesses and communities, *it acts locally to compete globally.*

Washington’s geographic location and strengths in hi-tech, agricultural products, aerospace and tourism attractions create “brand name” recognition around the world. The state has a diverse and unique industry base composed of both core (traditional, i.e. natural resource and aerospace) and new industry (i.e. software and alternative energy). Foreign investors seeking new technologies are attracted to Washington because we have the highest rate of company creation (entrepreneurship) in the country. Washington business has strong support from a governor that has committed to two international trade missions per year.

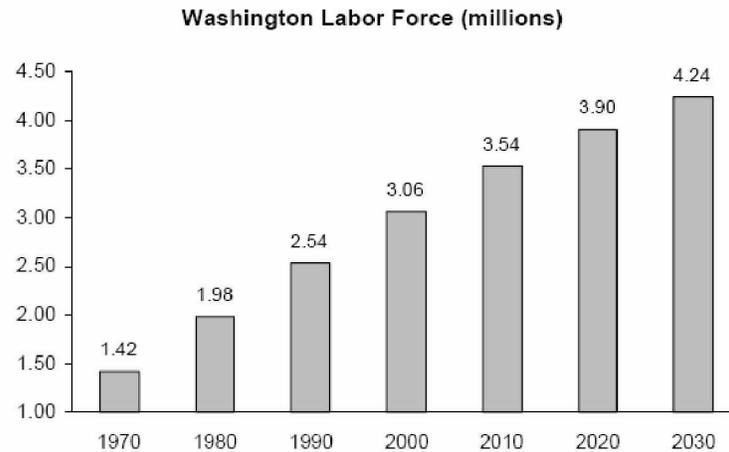
Building for the future will depend on continued innovation and entrepreneurial endeavors. It will also require planning for growth and promoting the connection between Washington’s business environment and its natural environment. In a time of a highly mobile “creative class” that can choose among many areas of the world to locate, Washington’s quality of life is an attraction. We must preserve this competitive advantage by protecting our natural beauty, the quality of our air and water and the livability of our communities.

CTED is poised to help grow Washington’s economy in the new global era. We possess strong, positive, non-regulatory relationships with local governments. Unable to invest directly in business, our programs are oriented towards providing the local infrastructure needed for health, safety, growth and economic development. CTED’s knowledge of local opportunities and obstacles can be leveraged to further improve local capacity to achieve their economic development goals through infrastructure improvements.

Health Care Costs

The forecast for health care costs is not positive and while the issue is nationwide, it is still an issue for employer and employee alike. Health care costs are also a major issue for local governments as

The counties that are expected to change the most in percentage terms are outside the Central Puget Sound region and generally have less sophistication and resources to plan for this growth and to provide services and infrastructure. As the urbanized areas of the state influence adjacent rural counties, growth-related issues may emerge that the rural areas may not be prepared to address. For example, Stevens County will grow significantly, mostly in the southern part of the county because of its proximity to Spokane. Stevens County will adopt its first GMA comprehensive land use plan this year.



OFFICE OF FINANCIAL MANAGEMENT, Forecasting Division
EMPLOYMENT SECURITY DEPARTMENT, Labor Market and Economic Analysis Branch

APRIL 2005

Technology advances will make it increasingly possible to live and conduct business in a variety of locales, not just in large cities, which can translate to growth pressures throughout the state. This may be a boon for rural areas for those seeking a second home or for workers whose job skills allow them to live in lower cost areas. In addition, with a tremendous increase in the number of over-65, who are still healthy enough to engage in an active lifestyle could seek vacation homes in rural, less hectic and lower-cost areas.

Other implications of the population growth and local planning efforts for CTED programs include:

- funding for infrastructure,
- housing for a range of income levels that are convenient to transportation choices (transit) and job centers,
- public safety enhancements for urban areas to make them more desirable,
- an environment that promotes more physical activity through land use decisions and investments in pedestrian and non-motorized facilities,
- the need and opportunity to redevelop and reclaim established downtowns and close-in neighborhoods as an alternative to sprawl, and
- specific issues faced by border counties—Clark and Whatcom are growing rapidly—fueled by conditions in Oregon and British Columbia.

In-migration

Washington enjoys the benefits of in-migration. Migration is an indicator of the attractiveness of Washington's communities' livability and economic opportunities.

According to OFM, migration associated with employment opportunities will continue to be the major contributor to the state's population growth.

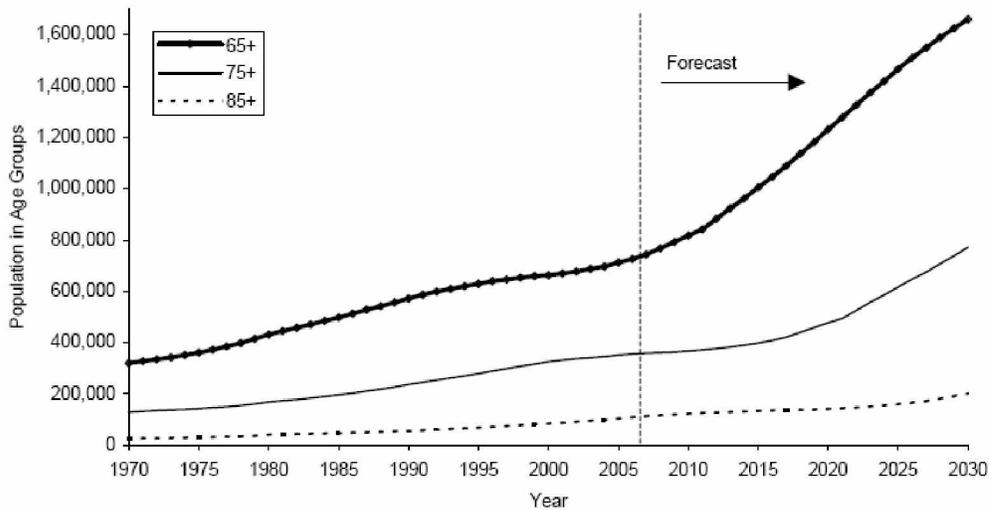
In-migrants have contributed to both the size and quality of the State’s labor force. Migrants coming into Washington tend to have relatively high educational attainments, and many of them are employed in high-skilled jobs. According to data from the 2000 Census, 38 percent of the working-age migrants coming to Washington between 1995 and 2000 had bachelors’ degrees or higher, as opposed to 28 percent of adults who were not recent migrants to the state. These recent migrants accounted for high proportions of the workforces in some high-wage sectors during 2000—about 40 percent of the software industry, 25 percent of that for computer and electronics manufacture, and 20 percent of that for professional and technical services workforces.

Washington’s ability to attract these mobile, highly educated workers is a true competitive advantage that adds credence to the concept that quality of life factors are important to state competitiveness.

An Older Population

The age of Washington’s population will have widespread and profound implications on the economy and on public policy. In CTED, these implications include land use and demand for services, economic opportunities (health care, senior services), and new forms of housing and state and local program costs.

The elderly population will grow rapidly after 2005.



There have also been an increasing number of migrants over age 65 to Washington. Migration decisions of senior citizens are mainly determined by quality of life, amenities, and services available at the destination places. Senior migrants affect the state labor market differently than job-related migrants. They do not compete for job opportunities, but their assets and incomes contribute to the local economy and the demand for labor. On the other hand, senior citizens are intensive users of public and private services, thus stimulating employment growth in these sectors. Nationwide, people over 65 years old will increase significantly throughout the forecast period, suggesting that a growing portion of Washington’s in-migrants will be retired or the elderly.

Local Government Financial Condition and Capacity

Initiatives passed by Washington voters and federal and state funding reductions have eroded local revenues and affected their ability to provide services and facilities. Counties and cities report significant impacts on their finances from state and federal unfunded mandates and other rising costs such as health care for local government employees. While federal and state funding has been reduced, federal requirements and costs for domestic water and sanitary sewer treatment having been going up every year. Even the smallest jurisdictions are expected to have state-of-the art facilities. Many local governments are borrowing more money to complete infrastructure projects, delaying projects, or not doing them at all. Numerous cities have cut public safety staff and several rural counties are in particularly precarious financial shape.

- Revenue in all counties grew by 53 percent (1995-2004).
- Population served increased by 21 percent (1990 to 2000).
- Revenue growth in the state's smallest counties was only 13.5 percent in ten years.
- Sales tax revenue and state shared revenue each declined during the last ten years increasing dependency on federal and state grant funding and diverted road fund revenue¹.

These factors are reflected in an increased demand on decreasing state infrastructure funding. The chart below shows the amount requested and approved from the PWTF, CTED's major infrastructure program, in the last three biennia and the current biennium.

00-01	02-03	04-05	06-07	Biennium
\$432,000,000	\$554,000,000	\$634,000,000	\$707,000,000	Requested
\$291,000,000	\$278,000,000	\$395,000,000	\$243,000,000	Available

The costs of housing and the pace of home sales also has implications for the Public Works Trust Fund, that relies substantially on the Real Estate Excise Tax (REET). The State Forecast Council projects a drop of about 11 percent in 2007 following historically high increases in 2006. After that initial adjustment, the REET is expected to grow by about 5 percent in 2008 and 2009, and to continue to increase beyond 2009 for the foreseeable future.

Unintentionally, the state policy that encourages urban areas to be served and incorporated by cities results in annexations and new incorporations that reduce the capacity of counties to fund their service responsibilities. This is the result of a mismatch between the revenue system, which relies heavily on local sales taxes, and the services, particularly public safety and criminal justice costs, that counties are required to continue to provide.

Inadequate local revenues and competition between cities and counties for sales tax base result in unintended incentives that effect a range of behaviors. No where does the problem of providing basic public services appear in stark relief as in the smaller counties, such as Ferry County.

The inability to fund basic services resulted in the Governor providing emergency funding to Ferry County in 2005. As the current financing approaches run into the increasingly restrictive limits, we should expect increased demand for leadership to address local governance and finance issues.

Infrastructure Financing Gap
 The cost and need for infrastructure is rising at a faster rate than the financial capacity to fund.
 The State is very close to its debt lid and local taxing capacity has been reduced by voter initiatives.
 This gap is a challenge to the state's ability to grow and meet its own health and safety standards and to foster sustainable growth.

Recently the Legislature enacted a pilot local government infrastructure option that effectively shares the increased state tax collections from economic development with the local jurisdiction making the investment. If proven successful, this program called Local Infrastructure Financing Tool (LIFT) has potential for filling a gap in funding local economic development efforts.

The LIFT model takes advantage of the relative strengths of the state and local revenue systems to help fund infrastructure for economic development. CTED is working with CTED of Revenue and other state agencies to develop a methodology to demonstrate the return on investment (ROI) for state infrastructure for economic development programs. To the extent that investments show a measurable ROI, the priorities within the state budget process will be better informed.

A collection of programs, created and amended by the Legislature one at a time, to meet specific needs identified at that time and not designed to work together or recognized as an integrated system” – *OFM/Berk Infrastructure Report, 12/05*

The problem of inadequate resources to meet local basic infrastructure and economic development-related infrastructure investment needs is assumed to worsen. In addition to accommodating growth, many of the water and sewer facilities built in the 1970s with low-cost federal loans and grants are reaching the end of their useful lives. CTED must take a stronger role in helping to address the emerging problem from a systematic, not programmatic, perspective. Creative solutions begin with assessing and then fully employing the relative strengths of the state and local finance systems, as well as determining the magnitude of the need.

Local government capacity to meet existing community needs, as well as to plan for growth, is significantly impacted by both a lack of financial resources and technical expertise. This lack of resources and capacity to plan for and complete capital projects, complete environmental and planning requirements and operate federal and state-funded crime prevention and public safety programs is especially problematic in the smaller communities. State technical assistance with planning and obtaining financing will continue to be key to augmenting local capacity.

Low-Income Households

Poverty in Washington

As with the rural/urban differences in our economic outlook, the state also has disparities among income classes. The number of Washington families living at or below the federal income poverty level has increased from 7.3 percent in 2000 to 9.4 percent in 2004. The adjusted poverty income level for a family of four is \$18,600. The result is that 147,000 families in Washington, with 138,385 children ages five to seventeen, live at or below the poverty level. Two separate studies indicate that the amount of income needed to meet basic needs in Washington for a family of four is between \$30,000 and \$40,000¹¹.

Despite being hit harder and longer by recession than some others, Washington State made a sincere attempt to preserve the programs and services to the poor and to pass policies that increase household income. For example, the state has the highest minimum wage¹² and the

What are State Individual Development Accounts (IDAs)?

IDAs make it possible for working poor families to save money to buy a house, start a business, or get a post-secondary education.

For every dollar saved, participants receive a dollar for dollar match that is put into an account until they have enough for their initial investment. Participants attend financial skill building classes to learn how manage their budgets to meet their goals.

¹¹ The Northwest Area Foundation commissioned a study that was released in March 2006 that asked study respondents to indicate the amount needed for a family of four to make ends meet in their community, and the figures were from \$30,000 to \$40,000. The Seattle Jobs Initiative commissioned a study in 2004 called *Beyond the Bottom Line: Expanding Economic Opportunities for Washington's Working Families*. This 2004 study contains a "Self-sufficiency Standard" that is based on the actual annual cost of housing, food, childcare, healthcare, transportation, taxes, and a small miscellaneous category, in four communities: King-Seattle, Spokane, Yakima, and Grays Harbor. The costs range from \$34,368 in Grays Harbor to \$40,572 in King-Seattle.

first minimum wage indexed to inflation in the nation. State support of EITC outreach and tax filing information helped many families receive a federal tax benefit. Washington's Basic Health program provides an affordable health insurance plan for many low-income families. Childcare subsidies have aided families in working to earn more income. The State's IDA's help families save and have a hopeful future.

However, pressure on low-income families is increasing. Increasing fuel prices for heat and transportation and skyrocketing costs for housing are just two forces straining low-income budgets. Contributing to the problem is the lack of financial literacy that contributes to bad choices by low-income families, such as falling prey to high interest credit and payday loan companies.

What can be done to address an issue of this scope and magnitude? In 1996 and again in 2000, the national Community Action Partnership conducted surveys of thousand's of communities in the United States. Their results indicated that the policy agenda be focused on: (1) jobs and income; (2) meeting basic needs; and (3) affordable housing. The study suggests policy strategies necessary to impact the status of these issues for families living in poverty.

The Washington D.C. Center for the Study of Social Policy has identified a list of 20 policies that would have a positive impact on low-income families. These policies are divided into five areas: Income and Asset Growth, Employment, Health, Education, and Family. In 2006, CTED conducted Community Forums in fourteen locations around the state of Washington. Participants were asked to identify the issues impacting low-income people in their communities and to suggest strategies to address these issues. The outcomes for Washington closely followed the national studies, with family wage jobs and housing competing for first place as the primary issue affecting low-income families, and access to health care, mental health services, and transportation following.

Housing for Low-Income Families and Individuals

Housing costs continue to increase more rapidly than personal income. The gap between wages and fair market rents and mortgages also continues to grow. Two significant, related factors contribute to the disparity: a shortage of affordable units and an increase in housing costs.

In the past ten years the state's population has grown 20 percent as compared to a 10 percent growth rate for the nation as a whole. Projected growth rates will continue to cause an increase in market prices in the foreseeable future. In 2003 the state's median home value was the tenth highest in the nation at \$200,235¹³.

Overall, cost burdens are high: 35 percent of the state's households that pay mortgages, and 49 percent of all households that rent, spent 30 percent or more of their income on housing in 2003¹⁴. About 66 percent of Washingtonians owned their own home in 2004 – the seventh worst rate nationally¹⁵.

The cost of rental housing is also comparatively high. The National Low Income Housing Coalition (NLIHC) ranked Washington as having the tenth least affordable rental housing in the nation. As for the income burden on renters, 23.6 percent are paying over 50 percent of their income – making the state 38th nationally on NLIHC's affordability scale¹⁶.

These same factors make it more and more challenging to keep publicly funded units affordable over time. Organizations that manage low-income housing are struggling to keep rents affordable and

¹² In 2006, Washington has the highest state minimum wage at \$7.63 an hour. That is 48 percent higher than the federal minimum wage of \$5.15 an hour. The next highest are Oregon (\$7.50), Connecticut (\$7.40), and Alaska (\$7.15). Source: Labor and Industries

¹³ U.S. Census Bureau, *Statistical Abstract of the United States 2003*.

¹⁴ U.S. Census Bureau, 2003 American Community Survey Data. Note: Federal programs have

¹⁵ Center for Enterprise Development, May 2005 Scorecard.

¹⁶ NLIHC, *Up Against a Wall 2004*

maintain the viability of their housing units. The link between housing and needed social services is being eroded as sacrifices are made between affordability and operation and maintenance. Services, such as employment, drug rehabilitation or mental health counseling, are often critical factors in keeping a family housed. Increasingly, keeping units below market rate isn't the same as keeping units affordable at the lowest income levels.

Low-income home rehabilitation and repair costs have increased over the past several years due to increased energy costs, construction costs and a \$25,000 total project cost cap. Housing preservation efforts such as mitigation of lead-based paint hazards and low-income housing weatherization are dependent upon uncertain federal funding. Although the state weatherization programs received large infusions of state resources during this last legislative session, local agencies will find it challenging to develop enough capacity to most effectively use these funds.

In rural areas where farm workers are needed, there is limited non-profit development capacity, infrastructure and developable land for farm worker housing. Rural communities continue to be resistant to placement of large farm worker projects. The federal government is providing fewer resources and more regulations. Immigration reforms are decided at the federal level.

Although the legislature is showing continued interest in the issue of manufactured housing communities, enforcement of the Manufactured/Mobile Home Landlord-Tenant Act continues to be a contentious, controversial issue. Closures of mobile home parks have accelerated over the past few years from five parks closing per year in 2001 and 2002 to eleven parks in 2003, thirteen parks in 2004, nine parks in 2005, and ten parks scheduled to close in 2007. As land supply tightens and property values rise, it no longer makes financial sense for many mobile home park owners to stay in business.

In recent years, the state has stepped up its efforts to address the issue of housing, particularly the difficult issue of homelessness. For example, in 2005, the Homeless Housing Program was created and funded through a document-recording fee. This program represents grants to local governments worth \$10 million for implementing their plans to cut homelessness in half over the next 10 years. In addition, more money was devoted to the Washington Families Fund, which provides housing and services to homeless families.

Sustaining the State's effort to meet the deteriorating conditions that underlie the housing problems will be difficult. Government subsidizes housing at all income levels, but it does so more directly for the low-income. Building agreement around resource allocation decisions among the diversity of low-income providers has become increasingly difficult as demand extends further and further beyond the availability of funds.

One strategy to support low-income housing investments is to demonstrate real cost savings to the public elsewhere as a result. In this light, a major challenge is to build common understanding and agreement around the cost of not providing resources for housing. Examples of the cost include: increased expenditures needed to build and operate correctional facilities; increased number of indigents treated in emergency rooms; and the increased number of children entering a classroom that are not ready to learn as a result of not having had a decent, safe, place to sleep the night before.

Community Safety

Crime and victims of crime

Successful communities must also be safe communities. A safe community feels safe and is not just based on statistics. Indeed, the perception of safety contributes to safety in fact, as law-abiding citizens' presence on the streets serves as a deterrent to crime. The effects of crime on stifling economic development efforts are well documented, particularly in downtown areas.

Crime and the states' response is also a critical intergovernmental issue. The issues include:

- Release and monitoring of sex-predators to communities,
- Siting of prisons and jails,
- Funding local government courts, jails and services, and
- Strain on rural governments to address urban-related criminal behavior such as meth labs.

It is likely that the state will continue to be challenged in addressing the gaps in financing local government responsibilities, many of which directly relate to safe communities and their role in the statewide criminal justice system.

The impact of meth use on families, social fabric, economy and health care, particularly in smaller communities, is substantial. Drug abuse is by no means an urban phenomenon any more, and as noted above, rural areas have fewer resources and service infrastructure to deal with this issue. Identity theft is connected to meth abuse, and although there are fewer meth labs in operation the substance is being transported into the state. The state budget has recently backfilled some of the federal funding cutbacks for law enforcement task forces, but not necessarily directed to programs that are most effective or needed. The Attorney General has made meth a signature issue for his administration.

According to data from the Washington State Coalition Against Domestic Violence, in fiscal year 2003 approximately 6,500 women and children were served in domestic violence shelters but 35,000 women were turned away because of the lack of shelter capacity. These 35,000 women, often with children in tow, are at high risk of serious injury or death.

The data from the Washington State Coalition Against Domestic Violence show that 60 percent of the women on welfare have been subjected to domestic violence. The cost of domestic violence can be translated in terms of lost productivity, welfare and shelter costs, law enforcement and court costs. The social cost of damaged lives, damaged families, and intergenerational dysfunction is even greater.

Assistance from the federal government is unlikely to increase. In 2005, the Bush Administration eliminated the funding for training and coordination of the community response network that had been provided through Justice Assistance Grants (JAG). The Administration budget also zeroed out the VOCA, but Congress was able to restore the VOCA funding. The State legislature picked up part of the loss of the JAG's for FY 07.

Assessment of Internal Capacity and Financial Health

Customer Expectations

Advances in information technology have changed the nature of the relationship of customers to businesses and government. Tracking a package purchased over the Internet from the factory to your house has become an expectation, not only for businesses like United Parcel Service, but also for the U.S. Postal Service. The public expects to purchase a vehicle license renewal as easily online as a book from Amazon. In recent years, the state of Washington has invested millions in creating easier and simpler customer services through various initiatives ranging from automated voice-response systems, twenty-four by seven "chat" assistance on Access WA, Internet-enabled online applications and payment methods, "Plain Talk" and regulation reviews. Washington State government has done much to catch up with the private sector in recent years.

The need to make our services more accessible increases as the complexity of requirements increase. For example, cross-program requirements to apply for an infrastructure loan or grant may require compliance with GMA, "Green Building" sustainability requirements, Davis-Bacon Act wage requirements, and federal and state historic preservation review requirements. Cross-program

requirements pursue legitimate state policy ends, but can add to the time, cost, and effort by the customer. Customers expect that they can get help to navigate program rules from a single contact point and that forms and processes encompass all of the requirements and the timelines are coordinated.

Despite continuing efforts to improve CTED's website, it is difficult to make up for the statutory and funding separations among programs in order to present a seamless and coordinated system. A major challenge for CTED will be to implement improvements in the way customers receive our services so that "any door is the right door" for the customer to enter to get their needs met.

CTED will continue to make participation in the statewide Business Portal a priority. We recognize the statewide potential in developing a single Internet portal that provides the business community with integrated, convenient access to government services.

Government Program Complexity

Running state programs grows substantially more complex with time. Cross-program requirements, higher expectations for data-driven performance management and accountability (i.e., Priorities of Government, Government Management, Accountability and Performance, and performance audits), multi-agency enterprise-wide coordination and response, and increased expectations for customer service require more management capacity. Simultaneously, as the demands on agency management capacity have increased, the resources to deliver on these demands have been under continuous and widespread pressure for reductions.

It is unlikely that the future environment will see a need for less management energy and resources, nor is it likely to be more supportive of acquiring those resources. There is no clear response emerging to close the divergence.

Workforce Issues

Program continuity at CTED depends upon the transfer of knowledge through on-the-job mentoring of new staff. CTED is under-invested in documenting work processes and operational procedures. Some critical program information resides in individuals rather than systems or centralized records. In the key mid-management ranks, over 50 percent of the staff will be eligible to retire in the next five years. This is a major threat to our success. Further, because almost all program knowledge is transferred person to person, recruitment must contain sufficient overlap to assure adequate knowledge transfer.

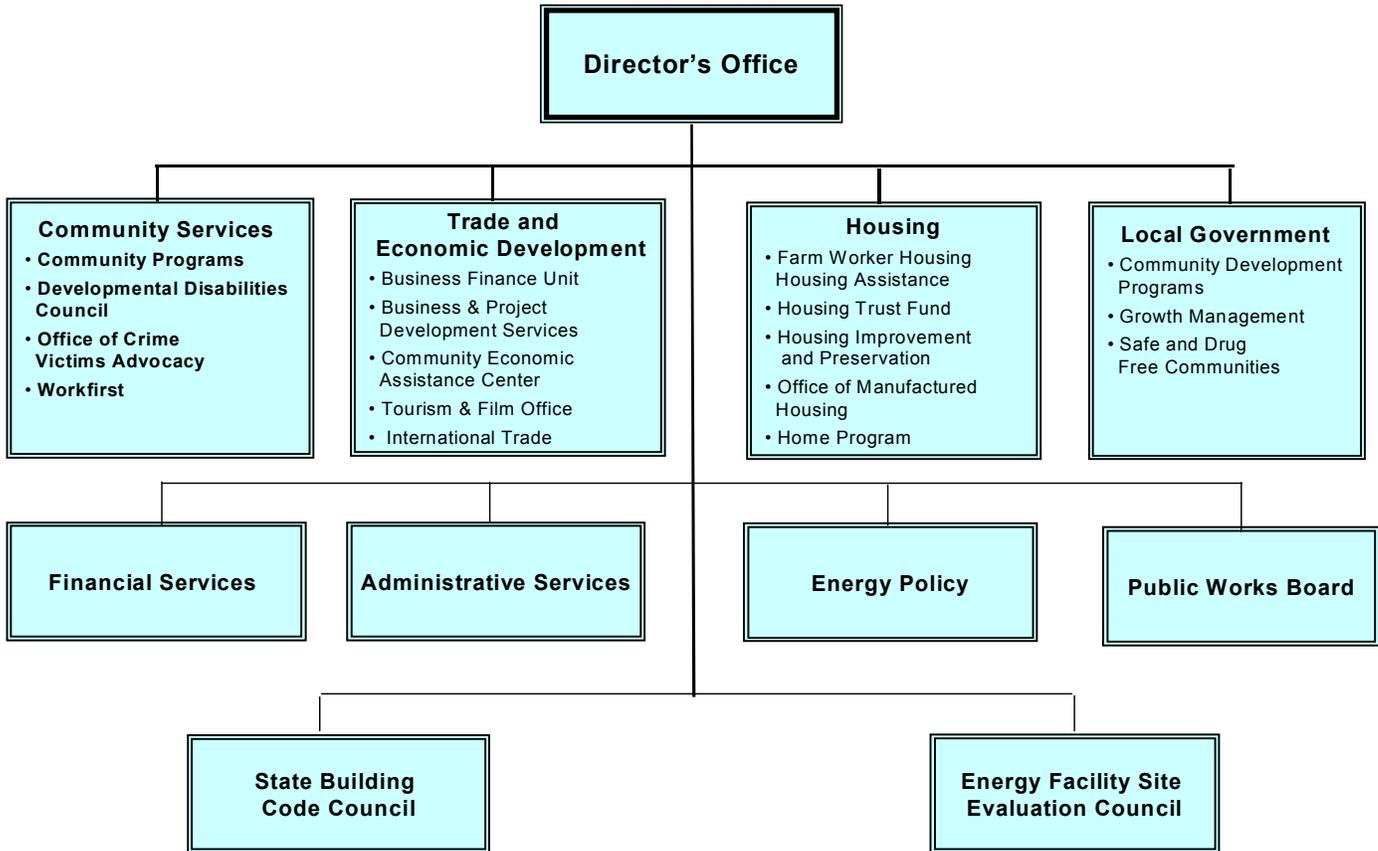
To assure continued success of our programs, CTED must take the initiative in the design, implementation, and management of programs, with an emphasis on effective recruitment, selection, background investigation, orientation, training, mentoring, coaching, recognition, quality development, and succession planning.

Appendices

AGENCY ORGANIZATIONAL CHART

Appendix A

Washington State Department of Community, Trade and Economic Development



Appendix B

CTED DIVISION DESCRIPTIONS (LISTED ALPHABETICALLY)

Administrative Services

The Administrative Services Division provides centralized, general business support activities to enable the efficient delivery of services and products by the various divisions of CTED. The program includes agency executive management and a number of business units: Human Resource Management, Information Services, Purchasing and Asset Management, as well as Facilities and Telecommunication Services.

Community Services

The mission of Community Services is to strengthen the health, safety, self-reliance, and economic vitality of individuals and families by building community partnerships to provide service and advocacy. The programs in the Division include: Office of Crime Victims Advocacy (safety and advocacy for victims of crime), Community Programs Unit (support to the community action agency network and other non-profits which provide emergency assistance, family development, advocacy and protection of vulnerable populations), Developmental Disabilities Council (federally mandated advocacy for vulnerable populations), and Workfirst's Community Jobs, and Business Outreach.

Energy Facility Site Evaluation Council

The Energy Facility Site Evaluation Council (EFSEC) is an independent state permitting board with representatives from five state agencies, and a Governor appointed Chair. It is responsible for reviewing new major energy facilities that are 350 megawatts or larger and alternative energy facilities of any size that choose to be sited under EFSEC. EFSEC conducts a one-stop comprehensive project review and supercedes all other state and local agencies for issuing permits. It continues as the regulatory agency for approved major energy facilities. EFSEC currently has nine energy projects that are directly billed for all application processing and compliance monitoring costs.

Energy Policy

The objective of the Energy Policy Division is to provide leadership, information, and analysis to develop energy policy decisions for a safe, affordable, and environmentally sound energy future for Washington's communities, businesses, and citizens. The division includes state energy policy analysis and implementation, energy emergencies, energy/economic development, and contracts management/pass through.

Financial Services

The Financial Services Division provides leadership and centralized, general business support activities to enable the efficient delivery of services and products by the various divisions of the CTED. The division includes Budget, Accounting Services, and Audit Review.

Housing

The Housing Division creates sustainable, affordable housing for low-income households and persons with special needs; administers emergency, transitional, and permanent housing for homeless persons; preserves and improves existing affordable housing, including weatherization, and training on lead paint remediation; provides manufactured home installation education and relocation assistance; and provides financial and technical assistance for the development of farm worker housing. The division also assists vulnerable families and individuals with services to meet their basic needs.

Local Government Division

The Local Government Division supports communities as they make decisions about their future, then helps in making their comprehensive plans a reality through strategically funding infrastructure improvements and promoting vital public safety programs so that communities are safe, economically viable and satisfying places to live and work.

Public Works Board

The purpose of the PWTF and the Board is to provide financial assistance to local government and private water systems for critical public works projects and to encourage self-reliance at the local level. The Board administers two major funding sources. The Public Works Assistance Account, which funds all PWTF programs; and the Drinking Water State Revolving Fund, which funds all Drinking Water State Revolving Fund loans.

State Building Code Council

The State Building Code Council was created in 1974 to provide independent analysis and objective advice to the legislature and the Governor's Office on state building code issues. The Council establishes the minimum building, mechanical, fire, plumbing and energy code requirements necessary to promote the health, safety and welfare of the people of the state of Washington, by reviewing, developing and adopting the State Building Code.

Trade and Economic Development Division

The purpose of the Trade and Economic Development Division is to facilitate leadership with and among local leaders to attract, retain, and expand economic activity, throughout the state of Washington and strengthen and diversify Washington State's economy by promoting the expansion of international business in target markets and industries.

The division delivers a range of services from assisting with complex permit processes to infrastructure and business financing to marketing the state as a desirable place to live, work or visit. Its clients range from local municipalities looking for assistance with planning and predevelopment to economic development organizations and businesses needing help on business retention or expansion efforts. The division's staff works hand-in-hand with overseas contract representatives to assist Washington client companies increase their export sales or enter new markets.

Appendix C

LIST OF STATUTORY AUTHORITY (SORTED BY DIVISION)

Administrative Services

43.31.057; 43.330.090	43.31.800-.850; 43.290; 43.330.060;
43.210	43.330-065
43.31.145	43.31.215, 43.31.390, 43.31.403-417;
43.31.057; 43.330.090	43.330.060; 43.330.070; 43.330.080
	43.31.057

Stat Building Code Council

19.27
19.02.050
43.330.090

Community Services

7.68.360	43.330.130, 135, 145, 150, 152, 190,
28A.300.160	200, 205, 210, 230
28B.06.030	54.16.285
43.08.260	54.52.010
43.31.450 - 485	57.46.010, 020
43.63A.066, 067, 115, 275, 720-735	70.125
43.41.905	70.90.010
43.150.040, 050, 070, 080,	74.08A.010
43.190.030, 060, 065, 070, 120	74.14B
43.280	HB 3156 Asset-building pilot for low-income families (2006)*

Energy Facility Site Evaluation Council

80.50	70.94.422
43.21C	90.48.262

Energy Policy

19.29A	43.21F
19.260.010 - 900	43.21G

Housing

36.22.178	59.21.005 - 59.21.110
39.35D.080	59.22.010 - 085
43.63A.460, 490, 505, 645, 650, 655	59.24.010-59.24.060
43.63B.005 - 43.63B.800	59.28.010-59.28.090
43.185 and 43.185A	70.103
43.185B.005-43.185B.010	70.164
43.185B.020-43.185B.040	74.08A.220
43.185C	82.14.400
43.330.110, 165, 170	84.36.560
44.64.170	SSB 6851 Notification of Mobile Home
46.70.136	Park Closures (2006)*

Local Government

35.02.260	43.133.050, 060, 070
35.22.660	43.270.010, 020, 020, 040, 070, 080, 900
36.70A	43.330.050, 070, 100, 120, 125, 130,
36.70B.202	190
36.93.080, 157	47.50.090
39.44.210, 230	53.36.030
39.84.090	66.080.195 - 198
39.86.100 – 200, 260	67.38.070
43.06.115	70.05.125
43.08.250	82.14.330
43.21A.612	90.71.020
43.21C.110	HB 1565 Transportation Concurrency
43.31.942, 956	Study (2005)*
43.63A.125, 155, 190, 215, 400, 410,	ESSSB 6239 Studies of Meth funding
420, 750, 760	levels (2006)*
43.132.010, 020, 030, 040, 050, 055,	
060, 800, 810	

Public Works Board

43.155.010 – 090
70.119A.160, 170,

Trade and Economic Development

24.46.010	43.131.381, 382, 385, 386, 387, 388
24.46.125	43.157.005, 010, 020, 030
28B.20.283, 285, 287, 289, 291, 293,	43.160, 163
295, 297	43.168
28B.65.010, 020, 030, 040, 050, 060,	43.210
070, 080	43.290.005, 020
28C.18.060	43.330.050, 060, 065, 070, 080, 090,
35.21.800	092, 094, 095, 096, 100, 150, 152, 250
39.19.240	43.360
42.17.319	47.01.280
43.07.350	47.39.090
43.20A.750	47.76.230
43.21A.510, 515	76.56.010
43.31.086, 088, 092, 125, 205, 207, 215,	77.12.710
422, 425, 428, 502, 504, 506, 508, 512,	79A.30.050
514, 522, 524, 601, 611, 641, 800, 810,	79A.60.480
820, 830, 832, 834, 840, 850, 855, 856,	ESSHB 2673 Local Infrastructure
856, 878, 859	Financing Tool (2006)*
43.31C	ESB 5330 CTED inventory of grant
43.41.621	opportunities (2006)*
43.63A.075, 230, 690, 700, 710, 760	SSSB 6558 Motion Picture
43.88.093, 094	Competitiveness Program (2006)*

* Unable to find where recent legislation has been codified in the RCWs, or has not yet been codified from 2006 Legislative Session.

Appendix D

LIST OF ACRONYMS AND DEFINITIONS

Acronym	Name/Title
CASA.....	Washington State Association of Court Appointed Special Advocates
CDBG.....	Community Development Block Grant
CERB.....	Community Economic Revitalization Board
CRM.....	Customer relationship management
CSBG.....	Community Services Block Grant
CTED.....	Washington State Department of Community, Trade, and Economic Development
DEC.....	Drug Endangered Children
DOE.....	Washington State Department of Ecology
EITC.....	Earned Income Tax Credit
FY.....	Fiscal Year
GCC.....	Global Competitiveness Council
GHG.....	Greenhouse gas
GIS.....	Global Information System
GMA.....	Growth Management Act
GMAP.....	Government Management, Accountability, and Performance
HMIS.....	Homeless management information systems
HTF.....	Housing Trust Fund
IACC.....	Infrastructure Assistance Coordinating Council
ICH.....	Interagency Council on Homelessness
IDA.....	Individual Development Accounts
JAG.....	Justice Assistance Grant
LIFT.....	Local Infrastructure Financing Tool
Meth.....	Methamphetamine
NLIHC.....	National Low Income Housing Coalition
OCVA.....	Office of Crime Victims Advocacy
OFM.....	Washington State Office of Financial Management
OSPI.....	Office of the Superintendent of Public Instruction
POG.....	Priorities of Government.....

Acronym	Name/Title
PWB	Public Works Board
PWTF	Public Works Trust Fund
REET	Real Estate Excise Tax.....
ROI.....	Return on investment.....
SBCTC	State Board for Community and Technical Colleges.....
TANF	Temporary Assistance to Needy Families.....
VOCA.....	Victims of Crime Act