

Washington State Climate Study

Presented to
Senate Trade & Economic Development Committee

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January 21, 2015
Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



Study Overview

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

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Overall, Washington declined

- 45 Total Indicators and Benchmarks
 - 40 Updated
- 37 indicators with ranks relative to other states:
 - 12 improved
 - 15 worsened
 - 10 unchanged
- 37 indicators which measure year-over-year performance:
 - 18 improved
 - 17 worsened
 - 2 unchanged



Study Indicators

Benchmarks Separated into four categories:

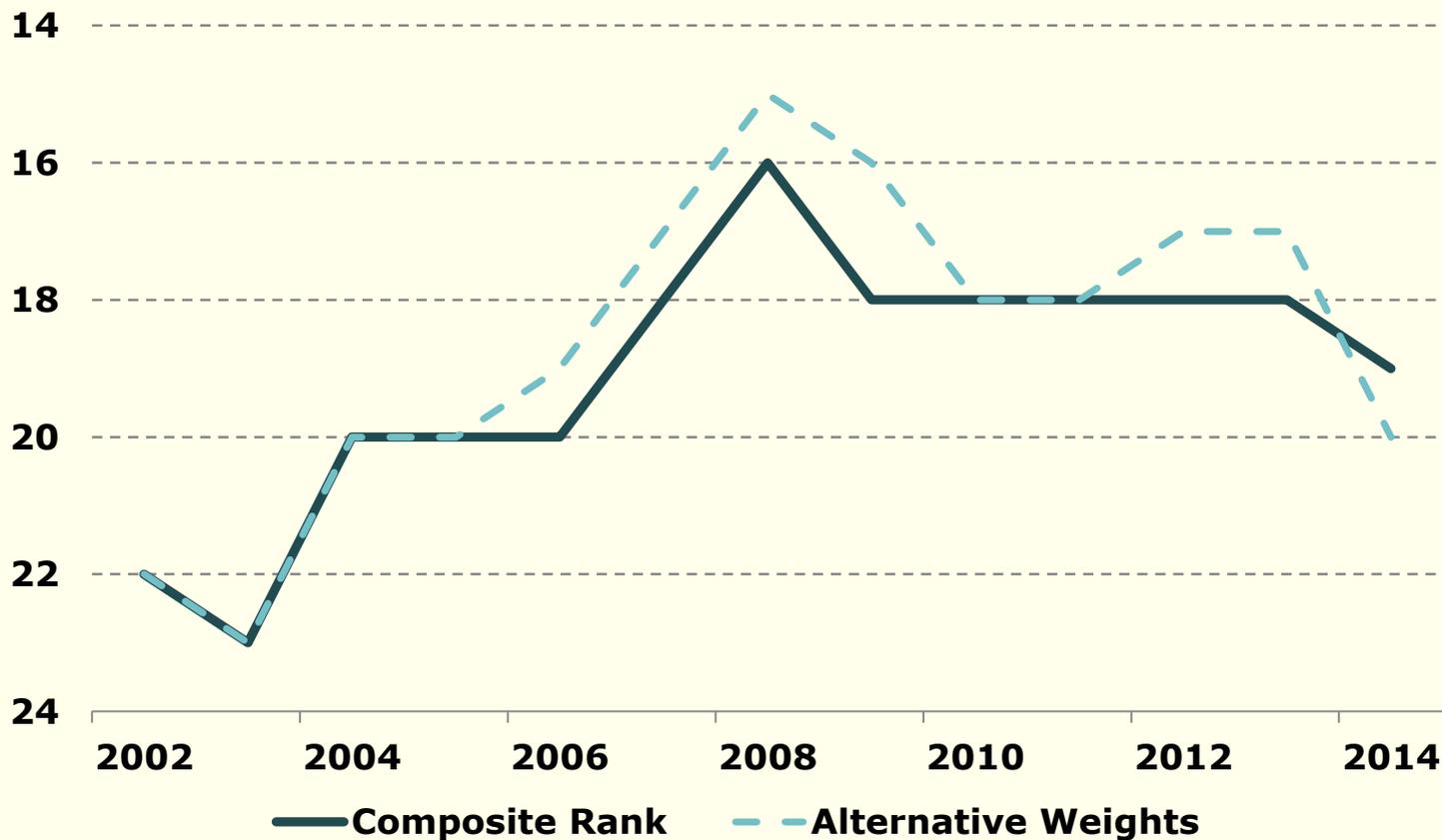
- Innovation Drivers
 - 16 Indicators
 - Average Rank: 19
- Business Performance
 - 9 Indicators
 - Average Rank: 19
- Economic Growth and Competitiveness
 - 10 Indicators
 - Average Rank: 23
- Quality of Life
 - 10 Indicators
 - Average Rank: 17

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Composite Rank

Washington's rank dropped from 18th to 19th in the 2014 study



Source: ERFC; data through 2013

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Other Changes

- Three new indicators
 - Patents Issued Per 100,000 Population
 - Public Transit Trips Per Capita
 - Relative value of \$100
- Business Performance broken into two subcategories
 - Business Prosperity
 - Cost of Doing Business
- Other
 - Arrest Rate changed to Arrest Rate Per Violent Crime
 - Electricity costs, tax collections, unemployment insurance costs, and workers comp costs moved from Infrastructure to Cost of Doing Business



Innovation Drivers

Innovation Drivers – 19th

- Talent and Workforce
 - 8 Indicators
 - Average rank 20th
- Entrepreneurship and Investment
 - 4 Indicators
 - Average rank 7th
- Infrastructure
 - 4 Indicators
 - Average rank 29th



Innovation Drivers

Indicator	Performance	Rank
College Participation	Worsened	Worsened
High School Education	Worsened	Worsened
Bachelor's Degree	Improved	Unchanged
Student Teacher Ratio	Worsened	Unchanged
Tenth Grade WASL	Mixed	N/A
Migration Rate	Improved	Improved
University R&D	Worsened	Worsened
Industry R&D	Improved	Unchanged
Total R&D	Improved	Improved
Patents Issued	Improved	Unchanged
Interstate Conditions	Worsened	Unchanged
FAA Air Traffic Delays	Worsened	Worsened
Public Transit	Improved	Unchanged

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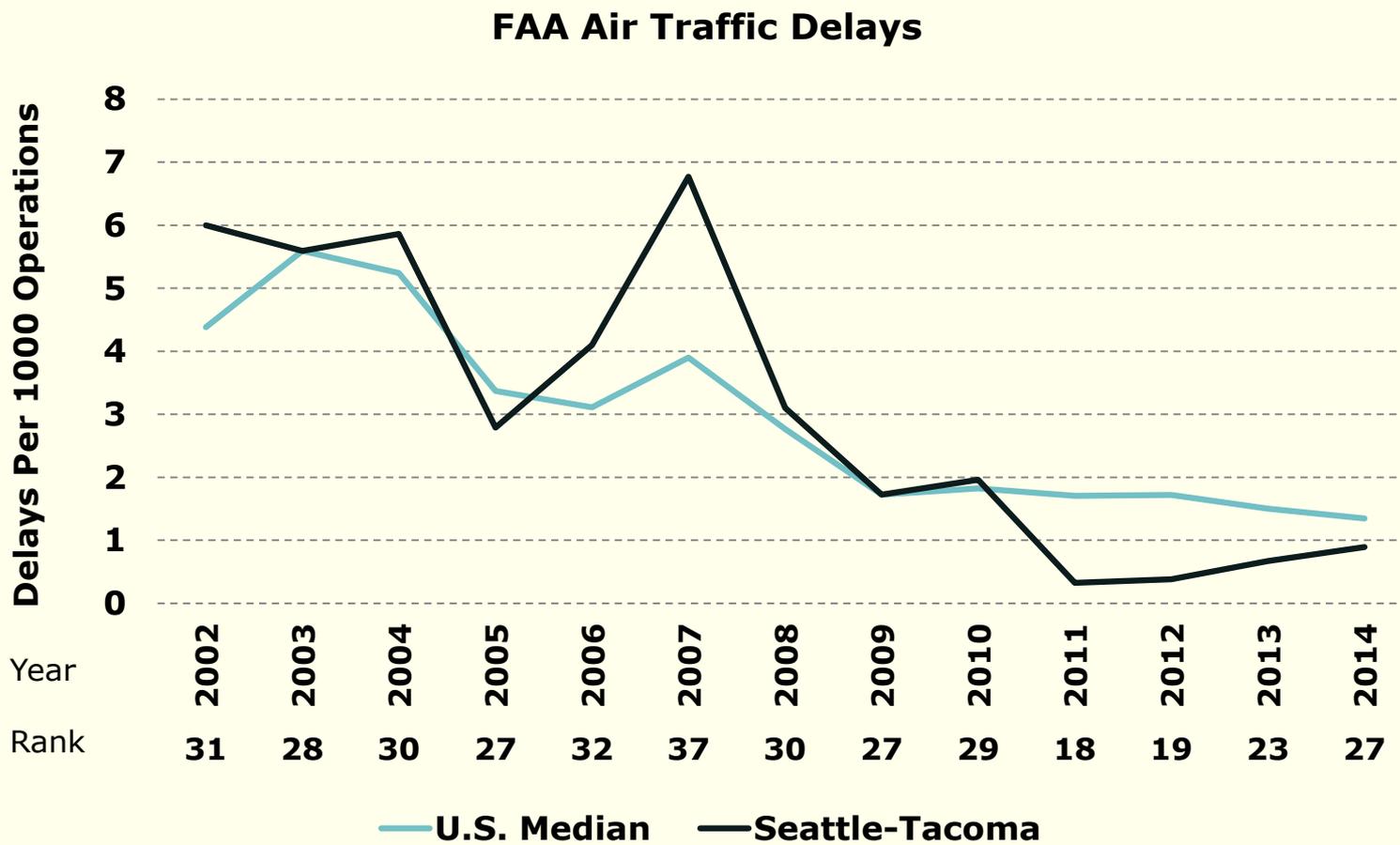
Delays at SeaTac remain well below the national median

Rank is out of the 55 largest U.S. airports

WA: 0.9

US (Median): 1.3

Rank: 27



Source: FAA Air Traffic Systems Management, ERFC; data through 2014

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Business Performance

Business Performance – 19th

- Business Prosperity
 - 5 Indicators
 - Average rank 17th
- Cost of Doing Business
 - 4 Indicators
 - Average rank 21st

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Business Performance

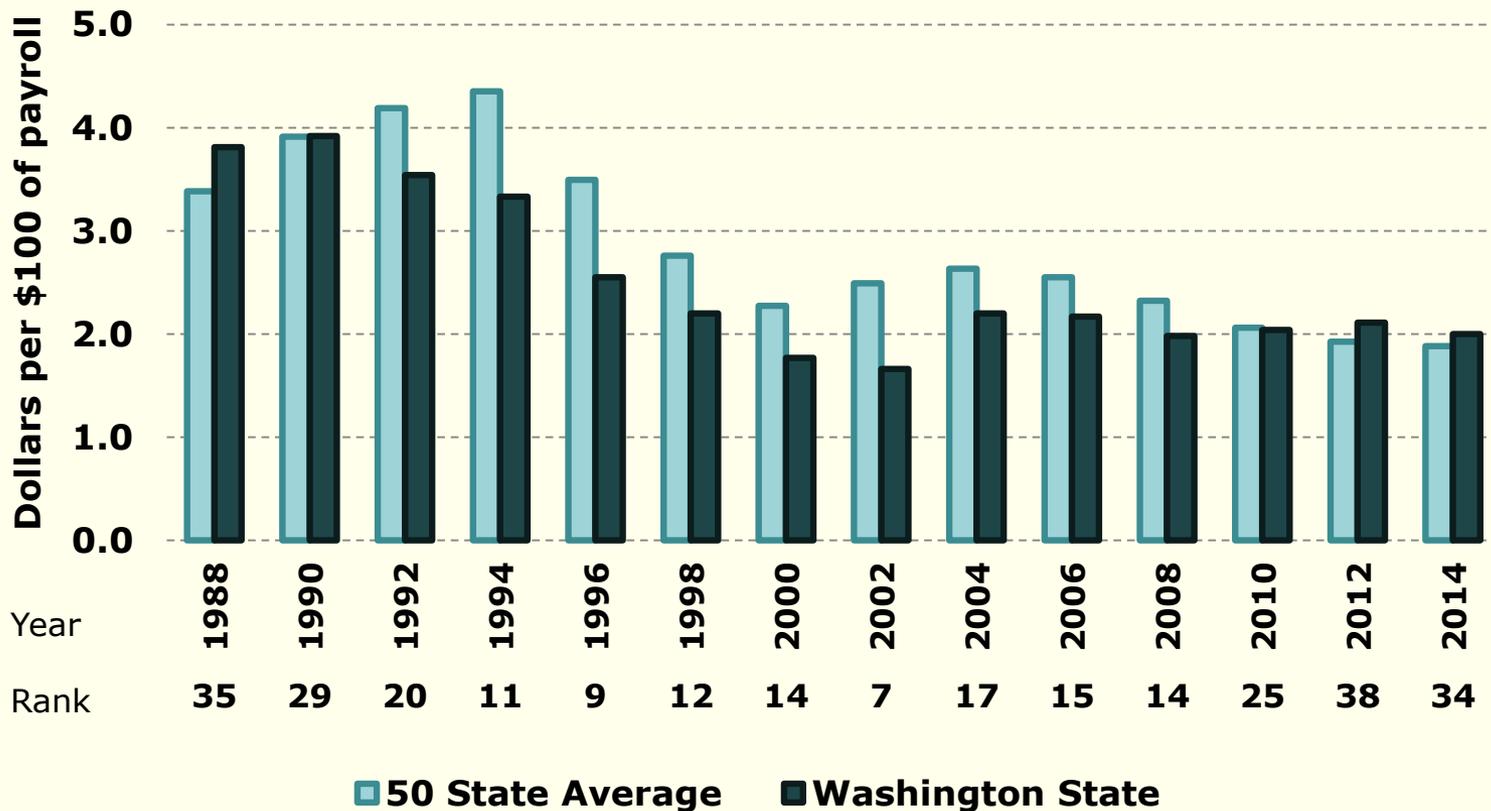
Indicator	Performance	Rank
Foreign Exports	Improved	Improved
Foreign Exports Excl. Trans. Equipment	Worsened	Improved
Growth in High Wage Industries	Worsened	Worsened
Electricity Costs	Worsened	Unchanged
Tax Collections	Improved	Unchanged
Unemployment Costs	Worsened	Worsened
Workers' Comp Costs	Improved	Improved

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Workers' Comp costs are higher than the U.S. average

Workers' Compensation Premium Costs



Amount per \$100 of payroll

WA: \$2.00

US: \$1.88

Rank: 34

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Source: Oregon Workers' Compensation Premium Rate Rankings; data through 2014

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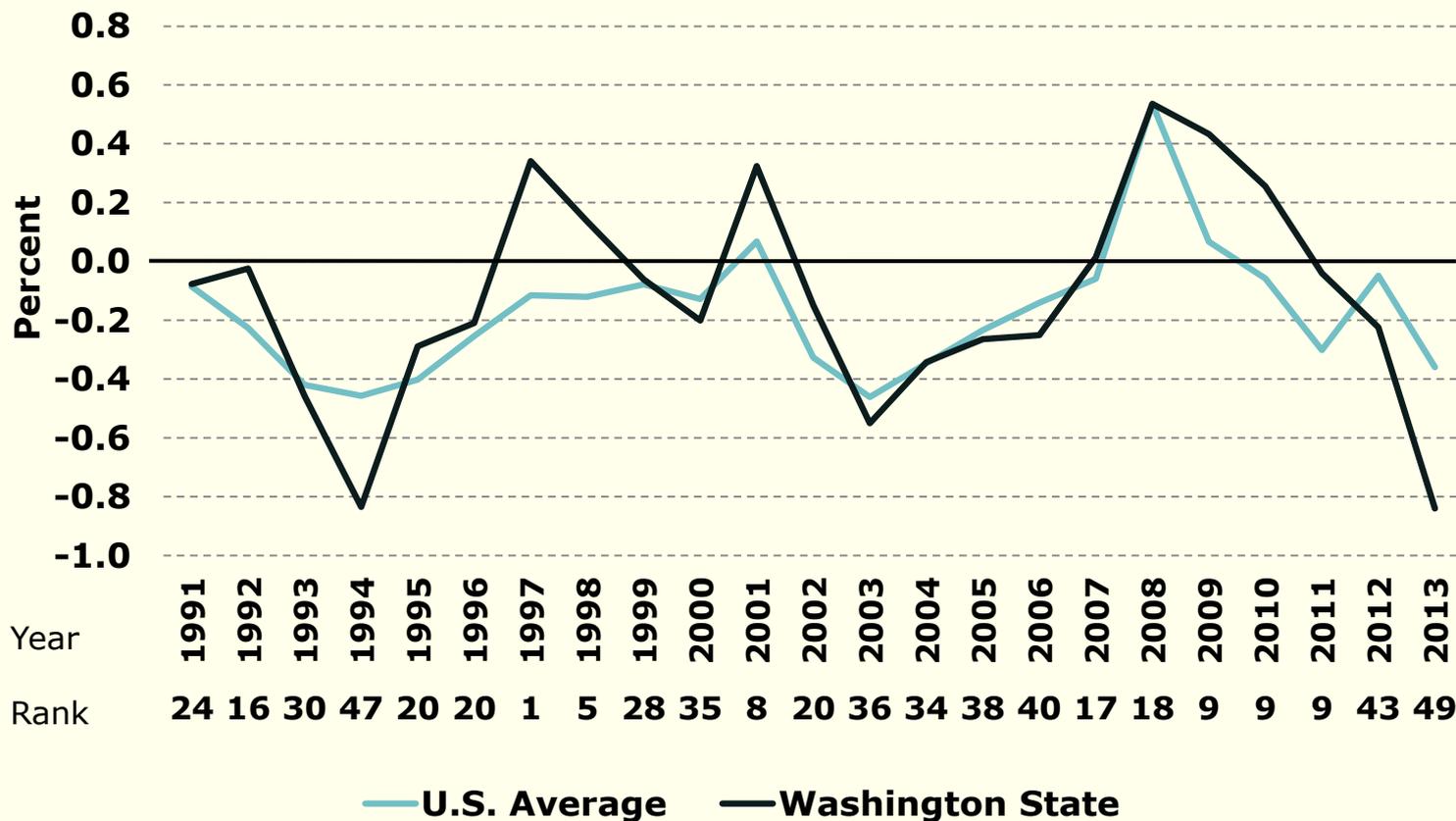
Growth in High Wage Industries plummeted in 2013

WA: -0.8%

US: -0.4%

Rank: 49

Growth in High Wage Jobs



Year

Rank

1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

24 16 30 47 20 20 1 5 28 35 8 20 36 34 38 40 17 18 9 9 9 43 49

— U.S. Average — Washington State

Source: BEA, ERFC; data through 2013

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Economic Growth and Competitiveness

Indicator	Performance	Rank
Per Capita Income	Improved	Improved
Income Growth Rate	Worsened	Worsened
Relative Value of \$100	Worsened	Unchanged
Employment Growth	Improved	Improved
Household Income	Improved	Worsened
Annual Earnings Per Job	Improved	Worsened
Earnings Growth Rate	Worsened	Worsened
Unemployment Rate	Improved	Improved

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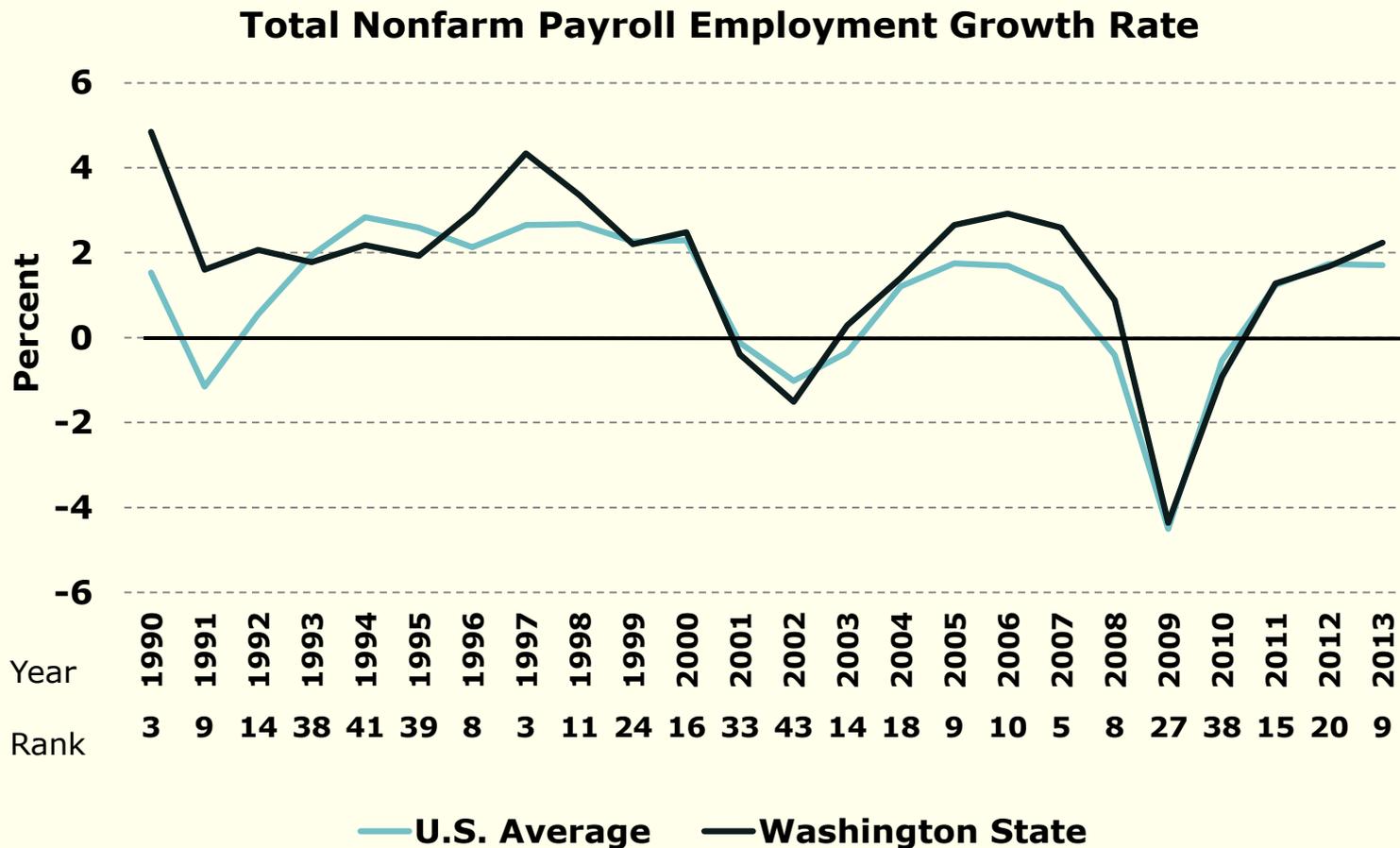
Washington is outperforming the nation in employment growth

Employment growth

WA: 2.2%

US: 1.7%

The 5-year average of 0.0% ranks 17th among the states



Source: BLS, ERFC; data through 2013

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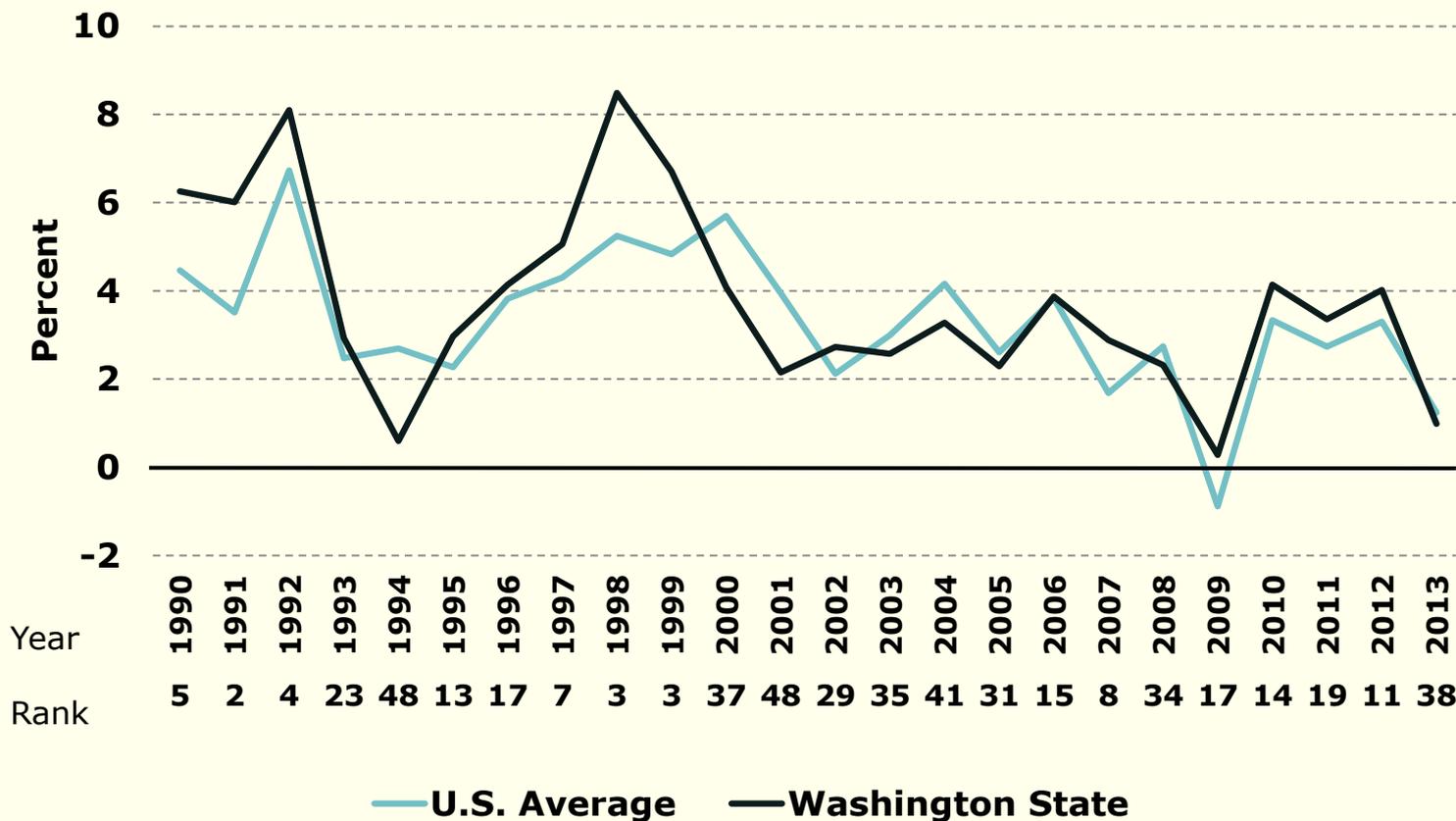
Washington's earnings growth declined in 2013

Earnings per job growth

WA: 1.0%

US: 1.2%

Annual Earnings Per Job Growth Rate



Source: U.S. Dept of Commerce, BEA, ERFC; data through 2013

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Quality of Life

Climate Benchmark	Performance	Rank
Homicide	Improved	Improved
Violent Crime	Improved	Worsened
Arrest Rate Per Crime	Worsened	Worsened
Air Quality	Improved	Worsened
Drinking Water	Worsened	Improved
Toxins Released	Worsened	Worsened
Health Index	Unchanged	Improved
State Parks and Rec	Unchanged	Worsened
State Arts	Improved	Improved
Library Service	Worsened	Unchanged

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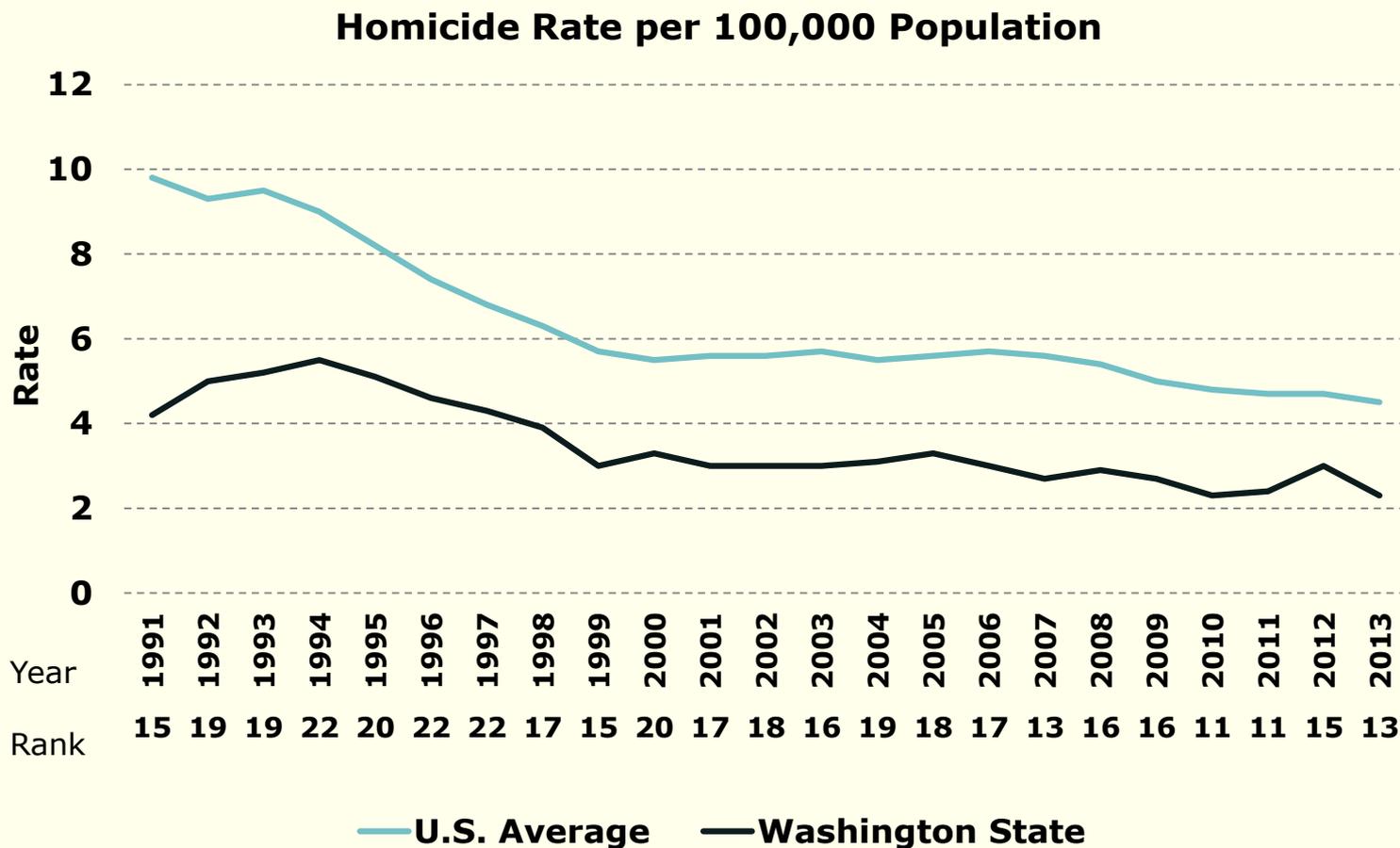
The homicide rate has continued to trend downward

Homicide Rate

WA: 2.3

US: 4.5

Rank: 13



Source: U.S. Department of Justice, Federal Bureau of Investigation, ERFC; data through 2013

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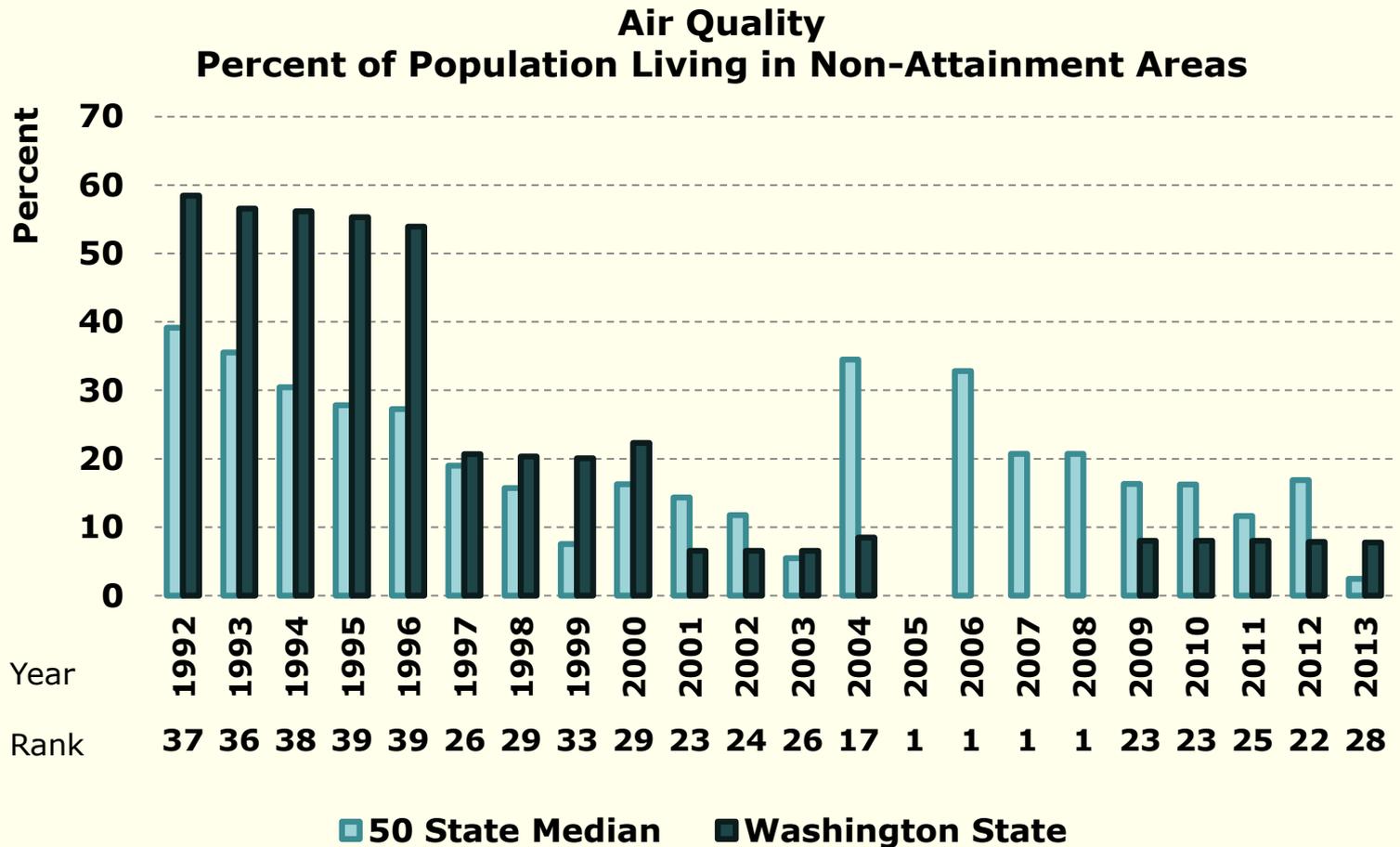
Washington continues to outperform the national average in air quality

Percent of Population Living in Non-Attainment Areas

WA: 7.7

US (Median): 2.5

Rank: 28



Source: U.S. Environmental Protection Agency; data through 2013



	Improved	Worsened	Unchanged
Rank	12	15	10
Performance	18	17	2

- Overall, Washington's Economic Climate Study indicated a decline compared to other states.
- The newly developed composite rank declined one place from 18th best to 19th best in the nation.
- No Category showed substantial improvement or decline.
 - Innovation Drivers improved from 20th to 19th.
 - Business Performance declined from 18th to 19th.
 - Economic Growth and Competiveness declined from 19th to 23rd.
 - Quality of Life declined from 16th to 17th.



Questions



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