

January 8, 2014

Governor Jay Inslee
Senate Majority Coalition Caucus Leader Rodney Tom
Senate Republican Leader Mark Schoesler
Senate Democrat Leader Sharon Nelson
Speaker of the House of Representatives Frank Chopp
House Republican Leader Dan Kristiansen

Dear Governor Inslee:

We support the efforts of the Governor and legislative leaders to take aggressive action on a series of tax and regulatory policies as well as investments in education designed to help ensure that Washington remains home to critical Boeing Company manufacturing programs for the foreseeable future.

No one would argue with Boeing's importance to our state economy. However, it's time for a similar economic development strategy focused on meeting the needs of Washington's information technology, biotechnology and other innovation sector employers, which currently generate approximately 28 percent of all the jobs in the state. Companies like ours represent the most dynamic sector of Washington's economy – more than two-thirds of our state's job growth since 1990 is attributable to the technology industry – and our continuing success is critical for the future job prospects of Washington's young people and the economic health of communities across our state.

The innovation sector generates the high-paying, family-wage jobs and valuable economic activity that every state covets. The economic activity generated by our industry and our employees is critically important to funding state and local governments. Sales and business and occupation taxes generated by the technology sector have grown more than three-fold since 1994 – a rate that is four times the state average – to nearly \$3 billion in 2011. What's more, our economic footprint has continued to grow while other sectors have been retrenching, helping to diversify our state economy and mitigate the impact of the recession on Washington families, communities and government entities.

Despite these substantial economic contributions, the state has not taken the steps necessary to create a more supportive economic climate for our industries. We urge you to do just that in the 2014 legislature, helping to generate the additional economic activity available from closing the skills gap, and prepare Washington students for the most exciting job opportunities available in the years ahead. The attached summary outlines the key elements that must be included in this economic development strategy, including:

- Prioritizing state resources to expand higher education capacity and access and create more graduates, especially in the STEM disciplines. Boeing has made a compelling argument regarding the importance of workforce training programs at the community

and technical colleges. Our industries have this same need at the baccalaureate level. Washington must attack baccalaureate STEM funding with the same focus and intensity that lawmakers directed toward major upgrades to community and technical college programs that support Boeing and its suppliers.

- Extending Washington's modest incentive programs that help spur critically important research and development investments by innovation sector employers. Given the key role that the innovation sector plays in our state economy, we have a hard time understanding – much less accepting – proposals from some lawmakers to have Washington join the seven states that do not provide such incentives. In the information-based economy, R&D investments provide the lifeblood for the local economy. They are crucial for both companies and communities to remain competitive, helping create a more fertile employment climate for existing employers and to spur new start-ups.
- Extending Washington's incentives to spur data center construction and operation in rural areas of the state. These incentives have proven to be extremely effective in helping those communities diversify and grow their job and tax base. In 2010, after lawmakers passed legislation designed to spur rural economic development by providing a state sales tax exemption for hardware used in data centers, construction of those facilities in our state grew significantly. But in 2011, that incentive lapsed and data center construction in the state lagged; six major facilities were sited in Oregon during that single year. The exemption was restored in 2012 and data center growth in our state has rebounded. This remains a highly competitive market, and these incentives are crucial if Washington is to retain billions of dollars in capital investment, along with high-paying construction and operating jobs.

Washington's current research and development incentives are scheduled to sunset in 2015, which would leave Washington with no incentives to spur critical research and development activities. Such a position is inconsistent with the current and growing importance of these activities to our state economy, and would send a negative message to technology-based employers regarding the state's continuing commitment to their success. While incentives alone do not determine a location decision, they are an important part of a package of attributes that companies evaluate in such situations.

Other states view Washington's strong technology sector with envy, and continue to aggressively recruit our firms to relocate or expand elsewhere. Most provide a much broader array of incentives, including start-up capital support, workforce training programs, and an extensive menu of tax incentives to support technology employers.

It is clear that firms like ours provide substantial economic benefits to individual families, to local communities, and to the state as a whole. But state leaders must recognize that the future growth trajectory of the local tech industry is at stake. If we want Washington to continue to enjoy the high-paying job opportunities and other significant economic benefits

created by the innovation sector, we must support these industries. We look forward to working with you to that end. Thank you.

Sincerely,



Bob Bass
President, AT&T Washington
AT&T



Michael Kluse
Senior Vice President
Battelle




John Holland
President and Chief Operating Officer
Big Fish Games



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Chairman of the Board of Directors*
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Karl Triebes
*Executive Vice President of Product Development &
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CC:

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Washington State House of Representatives Members

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