



AWB Policy Summit Keynote
“2015: Challenges and Opportunities”
September 17, 2014
Remarks as prepared

Thank you, Laura Lawton, for the introduction.

Good morning. It’s great to be back in Central Washington.

Every time I’m here I see new, exciting, and innovative developments that are growing our economy and building a better future for our state.

Central Washington is a center of dynamic economic activity. The SGL factory in Moses Lake is the largest carbon fiber manufacturing facility in the entire world. The Roza irrigation project is underway in the Yakima Basin, the first of many far-sighted projects to secure water for people, fish and farms into the future. And a consortium of Yakima Valley dairy farmers is developing technology that uses manure to produce gas that they’ll put in their tractors and sell into the pipeline.

When I came here last year, I talked with you about my commitment to build a thriving economy in every corner of our state, not just in the shadow of the Space Needle. So these developments are exciting.

Today, I want to begin by thanking you for your collaboration on some important issues that are helping us realize this vision of a Working Washington.

We’ve made some real progress with the help of the business community:

We’ve secured thousands of aerospace jobs by winning the 777X. Boeing is moving full-steam ahead with its 1.4 million square foot expansion of the Everett plant. Literally dozens of companies from around the world are considering expanding here and locating new facilities in our state to be a part of the Washington aerospace industry.





We've proposed new water quality standards to protect our health, our environment and our economy. I look forward to working with businesses, legislators, tribes, health care professionals and others on successful implementation of this integrated plan.

We've implemented Results Washington performance metrics across state government, utilizing Lean practices borrowed from the private sector to streamline processes and deliver value, and we're already seeing positive outcomes. It used to take an average of 441 days for L&I to process a business's request for reconsideration of audit findings. Today, that same process takes 66 days.

Now we are poised to tackle new challenges based on this fundamental belief – that Washington has been, is, and always will be an exceptional place.

Mediocrity does not suit us.

We have exceptional natural beauty – from the dramatic peaks of the Cascades and the Olympics, to the rolling hills of the Palouse, to the Columbia Basin, to the shores of Puget Sound.

We have an exceptional embrace of all manners of communities.

We also have exceptional industries with deep roots going back multiple generations.

We all know the story of how our world-class aerospace industry was launched nearly 100 years ago in a barn along the Duwamish River. But that same proud legacy exists in our agricultural industry, too, where many farms and orchards are still owned and operated by the same families that first plowed the ground. And the children of those who built Washington's celebrated high-tech sector are coming of age, ready to become the next innovators.

In Washington's 125 years of statehood, people here created a high value, high quality of life based on a pioneering spirit, shared prosperity, and a common purpose.





We created what we enjoy today. It came from hard work and shared values.

No one should think that the quality of life we all enjoy was granted in perpetuity as a matter of entitlement. It's not an inalienable right.

And it comes with no guarantees.

It's time for us – for all Washingtonians – to decide how hard we work to keep the Washington we all love.

As we approach the 2015 legislative session, we're going to be making choices that will affect not just the next biennium, but the kind of future our children and grandchildren will inherit.

And if we continue the Washington tradition, we'll reject the passivity of mediocrity and embrace the action of excellence.

You're going to hear from my budget director, David Schumacher, later and he will show you the numbers, the economic trends that drive us to this crossroads.

As we've talked internally about the state's economic picture it has forced some introspection.

Trudi and I have three grandkids. The oldest just started kindergarten, and the youngest was born last year.

When I imagine Washington's future, I see one where my grandkids – and everyone's grandkids – have strong schools, good jobs that pay a fair wage, safe communities, and a clean and healthy environment. I picture them living in the same kind of high value, high quality state where I was born and raised.

That means investing in four specific areas that have contributed to Washington's exceptionalism.





The first is education, and I mean from preschool through college. Our children are the future innovators, entrepreneurs, teachers, nurses, engineers, and builders.

One reason Washington has produced so many successful industries is because we've invested in growing a smart, highly-skilled workforce. And it's paid off. Washington workers build the world's best airplanes. They design the most popular software. They discover life-saving advances in medicine.

The second area that needs investment is our infrastructure, because it's what supports our businesses so they can thrive and expand.

The benefits of investing in transportation range from the near-term boost of construction jobs to the long-term economic benefits that come from improved infrastructure.

From my first day in office I've pushed for a balanced and multimodal transportation funding package that will help all of Washington, and I will continue to do so.

I know this is AWB's number one legislative priority, and I've seen firsthand the critical needs in your members' communities as I've traveled around the state on I-5, on SR 167, on I-90 and along the North-South freeway in Spokane.

The third area we must invest in is stewardship of our precious natural resources.

This means protecting our air and water from pollution, and protecting our farms, forests and marine environments from the threat of climate change and ocean acidification.

We grow the world's best apples and the world's best oysters, and in order to keep it that way I signed an executive order back in April to cut carbon pollution and advance development of clean energy technologies.

Many of central Washington's greatest assets are threatened by climate change. I recently engaged with community leaders and small timber land owners in the Columbia Gorge to talk about the growing risk of invasive beetles on Washington's fir and pine tree forests. And if current climate trends continue, we are set to see a





quadrupling of the area burned by wildfires in areas like the Columbia Basin and the Palouse.

We need to face up to the fact that you can run from the climate science but you cannot hide.

But stewardship also means protecting and maintaining our state parks and recreation sites, so they may be enjoyed by our grandkids.

And the fourth area we must invest in is a safety net that protects the most vulnerable and keeps our communities safe.

We must not turn our backs on those who suffer from mental illness, or those seniors and people with disabilities in our long-term care system.

We must work to reduce homelessness and hunger in our communities.

And to me, that includes raising our minimum wage for a simple reason: If you work an honest day in Washington you ought to be able to live a decent life with food and shelter.

For decades, Washington invested in all of these areas and I'd say everyone here has benefited from that commitment. But if we want to stay on top, we're going to have to do some work.

Let's start with education. According to a report from the National Center for Education Statistics, Washington state ranks 31st in per-pupil spending. This puts us behind states like Alaska, Wyoming, North Dakota, and West Virginia.

Twenty years ago, the ratio of state funds to tuition dollars at our four-year institutions was 76:24. Today, it is 38:62, making a college degree less affordable today for Washington's families.

And our state Supreme Court is currently holding the state in contempt for the Legislature's failure to make sufficient progress towards our paramount duty -- fully funding basic education.





I'd like to be near the top of the pack, not the bottom, when it comes to educating our children, and I bet you would, too.

Our infrastructure investments are lagging as well. We have 71 bridges in our state that are about to become structurally deficient.

We're staring down a 52 percent decrease in the maintenance budget for our roads and bridges.

We've got a highway to nowhere in Pierce County, an unfinished North-South corridor in Spokane, and we're under a court order to fix or replace almost 1000 fish culverts across our state.

We have a \$470 million maintenance backlog at our state parks. Before the Great Recession, the state General Fund supported 70 percent of park operations. Today, the general fund and the other state accounts support just 19 percent of park operations.

And finally, our safety net is strained. We have 30,000 homeless students in Washington's public schools. That's almost twice as many as just six years ago.

We have a problem of overcrowding in our psychiatric facilities, due to a shortage of treatment facilities for those with mental illness. The state Supreme Court says we cannot use our hospital emergency rooms as boarding facilities for psychiatric patients.

All of this is troubling, but I'm here to tell you that we CAN have quality schools, affordable tuition, a strong economy, safe roads, and a clean environment. And we CAN reduce homelessness, reduce poverty, reduce crime, and protect the most vulnerable in our communities.

We're currently paying for a low quality of life and low level of services, but expecting a high quality of life and high level of services.

If we choose to stay the course, then we're going to have to adjust our expectations.





It's time to stop pretending that we can be an exceptional state on the cheap.

Our revenue collections are growing, but at a much slower pace than after previous recessions. While our economy is rebounding, the fact is revenue collections are not keeping up with the demands of a growing, aging population.

In 1995, Washington ranked 11th in state and local tax collections. Today, we rank 35th.

There are nearly one million more people in our state today than there were in 2001. And guess what – this means more students in our public schools, more people driving on our roads and bridges, more slots needed at our colleges and universities, and more people suffering from mental illness who need help.

We've been limping along, in part by cutting vital services and deferring important investments.

But that's the equivalent of duct tape and bubble gum.

The time has come to get real about who we are, what we want, and what kind of future we're going to have.

I'll tell you what I think. I reject the idea that we should abandon our shared vision of Washington.

I reject the idea that we should consign our children to a future defined by poverty of imagination and investment.

I reject the idea that mediocrity or worse is the best we can do as a state.

This should not be a question of party, ideology, business or labor.

The real questions of lasting weight, the real dividing lines that determine our destiny and our community's fate in the final hour of decision, are ones of competing values.





Our values define our destination.

These are the values that I believe are the bedrock of our lives:

In our personal lives - freedom.

In our economic lives - fairness.

In our environmental lives- sustainability.

And in our educational lives - opportunity.

Freedom, fairness, sustainability and opportunity. Those are the values that will guide us in every pursuit.

It won't be easy. The coming budget has a structural deficit of \$1 billion to just continue delivering the same level of services we're delivering today and meet pressing needs in a few key areas.

On top of that, the state Supreme Court has ordered us to find nearly \$4 billion in the next four years for basic education, and of course that doesn't even include anything for early learning or higher education.

From the start, I've said that the money to fund education cannot come from cutting programs that protect our most vulnerable children and families.

I said that last year when I came here, so this may feel like déjà vu to you. But I haven't changed my mind about it, and here's why.

It's hard for a kid to do homework without a home. Before you can fill your head with knowledge you have to fill your belly with food. And it's hard to get one hundred percent on a test if you're not feeling one hundred percent well.

So how are we going to fund education without hurting our most vulnerable families, and start to address the structural problem in our state budget?

As you know – and I know you didn't all like it – I proposed closing some tax breaks that don't measure up to our growing needs as a state.





We're going to have to do something like that. We have to add revenue and stop cutting.

I don't know exactly what that will look like yet. But David Schumacher and his team are hard at work on a plan to present to the 2015 Legislature.

And I will listen to any good ideas on how to bring our revenue more in line with our needs. This is an all-hands-on-deck effort. I know we don't always agree on everything, but I also know we have a lot of common ground. It's how we were able to get some important things done over the past year.

Thank you again for this opportunity to talk with you about the challenges and opportunities facing our state.

I always describe myself as an optimist, whether I'm talking about our ability to tackle climate change, to get a transportation package done, or to pass a budget that reflects Washington's values and moves our state forward.

And I also know that some of the smartest and hardest-working people in Washington belong to the business community, and you're as passionate about the future of this great state as I am.

It was Henry Ford, a great American businessman, who once said, "Coming together is a beginning; keeping together is a progress; working together is a success."

I think we have many opportunities for success in 2015. Let's get to work.

I'm now happy to stand for your questions and hear your thoughts.

