



WTIA Government Affairs Overview and
Legislative Recap for WSTA

Lewis A. McMurrin, VP Gov't Affairs

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State of the Tech Industry

- Employment is up.
- Software publishing employs 53,100. Up 1300 over July 2010.
- Computer system design employs 38,000. Up 3200 over July 2010.
- Professional, Scientific and Technical Services employs 171,000. Up 8000 over July 2010.
- Average wages much higher than state average of \$48,519.
- Washington remains in top 5 states for VC investment.



Tech Trends in WA

- Cloud computing (AWS, Google, MSFT, others) helping to drive down cost of computing, very useful for startups; cuts need for expensive infrastructure.
- Data center cluster emerging in Central WA. MSFT, Yahoo, Sabey all expanding. Intuit already there, Dell and others broken ground, more companies interested. Power costs and bandwidth are draws.
- Startup activity strong; lots of “startup weekends” and other efforts to mentor startups.



2011 Legislative Session

The 2011 legislature started with a large budget/revenue gap, a 2/3 requirement to raise taxes, the repeal of previously passed taxes and a closer political balance in the state Senate.

Combined with a slow economic recovery, poor revenue projections and less help from the federal government, getting a two year budget completed would be a difficult task—and it was as a 30 day special session was necessary to finish.

Upside was not having to deal with tax legislation.



K-12 and Higher Education budgets 2007-2011

- K-12 budget 2011-13 -- \$13.783 billion (42.6% of total)
- K-12 budget 2009-11 -- \$12.994 billion
- K-12 budget 2007-09 -- \$13.284 billion

- Higher ed budget 2011-13 -- \$2.749 billion (8.5% of total)
- Higher ed budget 2009-11 -- \$3.092 billion
- Higher ed budget 2007-09 -- \$3.577 billion

- Stark example: UW budget 2007-09 \$788 million
- UW budget 2011-13 \$440 million



WTIA Legislative Priorities

- Improve K-12 student achievement, especially in math and science; increase the number of STEM degrees from the state's colleges and universities and promote a business and tax climate conducive for technology companies and entrepreneurs.
- Overall, we had a mixed record. On business issues and taxes, we were successful. The budget and revenue situation along with more political balance in the Senate prevented much in the way of "bad" business legislation from being considered.
- The K-12 budget situation prevented education reforms passed in the last two years from being implemented. Math and science graduation requirements were pushed back once again, this time due to "budget constraints".



Legislative Session Review

- Higher education budget cuts were severe. The “victory” in this realm was passage of HB 1795 and HB 2088, giving tuition flexibility to universities (along with many other provisions) and creating a new scholarship/endowment fund for students seeking bachelor’s degree in STEM and high demand fields.
- The most important business/tech issue this session was HB 1495, which penalizes the use of stolen/pirated IT in manufacturing of tech products. HB 1495 creates a new state-based cause of action against companies that sell products in Washington if stolen IT was used in the manufacture of those products.



Issues for Today's Discussion

- Taxes: Service related businesses pay 1.8% B&O. Were raised from 1.5% in 2010 session; set to go back in 2013.
- Digital goods/digital automated services sales tax still causing confusion/difficulty for small tech companies.
- Tax incentives for R&D (B&O credit, sales tax exemption) set to expire Jan. 1, 2015. No way to tell if those will be renewed; requires legislative action.
- With I-1053 in force, raising taxes requires 2/3 vote of the legislature or vote of the people. Efforts to overturn in court are in play.



Where Are We Going?

- Who knows? If anyone can accurately predict the future, let me know.
- What is clear is that emerging markets are the growth markets and they are outside the U.S.
- Even small tech companies are developing a global strategy early on.
- Technical, business and “cross cultural” skills will be the ones being hired for.
- This means either higher levels of education and/or international experience or success in running businesses will be valued more.



What Not To Do

- Depend on government at any level – it is totally broken (and broke) and needs major overhaul; more money (taxes) is not necessarily the solution.
- Sit on your hands. Inaction is stagnation and leads to contraction.
- WA's tech-based industries are strong and well-placed for the future. Vision, hard work, global focus and proximity to Asian markets works to our benefit.
- Keys to future success remain attraction and development of human capital and talent. Developing the next generation of entrepreneurs and business leaders is of critical importance.