From CTED to Commerce: Responding to the Great Recession.

In March of 2009, the country had lost 3.5 million jobs in just seven months and 48 banks with assets totaling over $383 billion had been dissolved or merged with other institutions in the onslaught of the Great Recession. In Washington, nearly 100,000 people had lost their jobs in nine months and the state's revenue forecasts were $4.79 billion below the projections from the start of the financial crisis, less than a year earlier. The state was reeling from the effects of the mortgage crisis with new home sales off 75 percent from the previous year.

Governor Chris Gregoire wanted to do whatever she could to put people back to work and the logical fit for that assignment was the state's economic development agency. However, at the time, this agency - Community, Trade and Economic Development or CTED -was an agency without one singular organizing mandate. Under the broad CTED umbrella were programs addressing housing assistance, tourism, international trade, support for crime victims, energy assistance, child-care facilities, community grants and loans for infrastructure. All together, there were 120 distinct programs in the agency. It also was an agency without a director. The governor needed a new leader and a new focus for the agency.

State Government's "Junk Drawer"

CTED was sometimes referred to as a junk drawer for state legislators, who often gave CTED authority over programs that didn't seem to fit with any other agency. Like the kitchen junk drawer, CTED had a somewhat random assortment of programs and responsibilities, but it was also one of the most frequently used agencies in state government. Legislators and other stakeholders liked CTED because they saw it as a safe harbor for their programs. Programs in CTED were run efficiently and legislators didn't worry that a new program would get lost in the agenda of large state agency with a singular mission.

CTED served three different customer groups: community based organizations, local governments and businesses. The business related services - tourism promotion, recruitment and retention of firms and export support for small- and medium-sized businesses – represented fewer than one out of five employees in the agency. Many of the business-oriented staff members were located in Seattle while the bulk of the agency was in Olympia. Some characterized the differences between the two groups as "wing tips vs. Birkenstocks," which spoke to both the differences in the constituencies they served and the cultures of the program staff.

What unified CTED was less *what* the programs did than *how* they did it. The primary work of the agency is managing grants and loans to community based organizations and local governments that fund a wide spectrum of public services and capital projects. During the two year period starting in July 2007, the agency made grants and loans of nearly $1 billion dollars and managed over 6,000 contracts to deliver services or projects. The vast majority of agency staff time went to managing the grant and loan award processes and then ensuring compliance with funding agreements. A much smaller share of the agency's staff time was focused on providing direct services to aid the three customers groups. This work ranged from advising local governments on best practices for growth management to working with local economic development groups to recruit a new business in a rural community to advising policy departments on how best to work with victims of domestic violence. Policymakers also looked to the agency for data and policy analysis, especially in the area of energy policy, as CTED housed the state energy office.

In spite of the uniformity in the core agency processes of making and managing loans and grants, the diversity of CTED programs and constituencies made it susceptible to repeated attempts to reorganize the agency. In 2001, Governor Gary Locke suggested splitting up the agency, moving some programs into other agencies where they would be more in line with the mission, and reorganizing others to narrow CTED's scope. This proposal, as well as earlier mergers, separations and re-mergers, had left the agency without a clear identity and an insecure position as a state agency. The State Patrol, by contrast, knows its mission and every state trooper is clear about it. CTED employees, who had confidence in their own work and were proud of their particular program, often did not feel connected to the agency because of the diversity of programs and lack of a unifying mission. This contributed at times to a bunker mentality within the agency, with employees retreating to protect their piece of the CTED turf. In the words of one wry observer, CTED was a "loose confederation of semi-autonomous programs."

New Director, New Name, New Mission

To meet the changing needs of the state and its citizens as the country was mired in recession, Governor Gregoire moved job creation to the top of the agenda for her second term in office. Juli Wilkerson, who had been appointed Director of CTED by Governor Locke in 2004,decided to retire in early 2009. Governor Gregoire put into motion efforts to recruit a new director to help tackle the state's economic challenges..

Rogers Weed had spent most of his professional career at Microsoft. With a B.S. from Duke in computer science and an MBA from Wharton, he had risen through the ranks at Microsoft to become a Vice President. He led numerous teams, including the Windows business team. In his 15-year career at Microsoft, he swam in the rising tide of the internet, led Microsoft initiatives that both succeeded and failed, and came to appreciate the many different ways Microsoft engaged the public sector in the course of running its business. Not the least of those was the anti-trust action brought by the federal government against Microsoft, which precipitated significant shifts within the company. After leaving Microsoft, Rogers served on a number of community boards including Climate Solutions. He had a particular interest in practical, market-oriented solutions to global warming and was exploring options to address that opportunity.

Through his work on climate and social policy issues, he learned that the Governor was looking for a business leader to head her economic development agency. The job was posted on the state Department of Personnel's website and, after gathering research on CTED and seeing the state energy program as one of the agency's focuses, Rogers submitted his resume online. Once Governor Gregoire asked to meet with him, it was only a few days before he was offered the position.

Rogers came into his new role at the agency with two clear mandates from Governor Gregoire. First, he was to have a laser-focus on job creation and retention. Secondly, she wanted Rogers and the agency to more actively engage the private sector and lead efforts to better align state policy and programs with the needs of business.

Commerce Connections

The first step in Governor Gregoire's plan to refocus the agency was to rename the agency the Washington State Department of Commerce. Legislation proposed by the Governor and passed in the 2009 legislative session changed the name and directed the agency to make recommendations on ways to reorganize so it could focus its new mission of job creation and retention.

Mission

Grow and improve jobs in Washington state.

High-Level Metrics

Compared to key competitor states:

- Overall job growth and high-, medium- and low-wage jobs
- Income per job
- Growth in income per job

Global Goals

Four top priorities which affect all employers:

- **Competitiveness**: Retain, grow and attract businesses by improving and communicating Washington's competitive advantages.
- **Education and Workforce Training**: Improve performance of the education system to better match workforce skills to employer needs.
- **Efficient and Effective Regulation**: Reduce time and costs of meeting regulatory requirements, while maintaining the benefits.
- **Infrastructure**: Enable local governments to have adequate infrastructure to accommodate allocated growth and enable economic development and business opportunities, while maintaining the quality of life.

Specific Goals

Four additional priorities that are more specifically focused:

- **Community Capacity**: Mobilize and enhance local assets that strengthen community ability to meet the economic and social needs of Washington's families, workers and employers.
- **Rural Focus**: Improve economic performance of rural areas.
- **Sector Focus**: Increase Washington's share of high growth, high employment, traded sectors.
- **Small Business**: Make Washington the best state in the country to start and grow a small business.

In order to develop the recommendations that would help Commerce focus on its new mission, the agency reached out to a broad range of partners, including current employees, legislators, businesses, local governments, economic development and planning professionals and community and housing organizations. "Commerce Connections" was an unprecedented six-week statewide effort that included over 50 meetings in seven cities with these stakeholder groups. The agency also encouraged a broad cross-section of businesses, local governments, and community organizations to provide their input through an online survey that yielded over 4,000 responses and 300 pages of written comments.

After the first few Commerce Connections meetings, the paramount question that emerged was "With respect to growing and improving jobs in Washington, what can and what should state government be doing?" Once the meetings had ended and notes had been gathered, Rogers took several days on his own to distill everything he had heard down to a list of ten overarching themes. Governor Gregoire then brought the list to eight by combining several, and these eight themes informed the agency's priorities and goals as Commerce set to reorganizing itself around a new directive to grow and improve jobs in Washington.

Commerce Connections taught Rogers some important lessons. He came to appreciate the differing priorities in the rural and urban areas of Washington. This contrast between rural and urban is often more pronounced than the so-called Cascade Curtain divide between eastern and western Washington. Rural areas of western Washington share much in common with their counterparts across the mountains - many of their economies have had historic dependence on natural resource extraction and find their economic growth lagging behind the urban areas. These differences in circumstances yield different policy priorities and approaches on how best to grow the economy.

Ultimately, receiving input from over 5,000 people on resetting the mission of the agency resulted in recommendations and priorities that had the weight of legitimacy and buy-in from stakeholders. In the face of the worst recession in a generation, it was hard to argue with the general proposition that the agency should focus on job growth. The process of broad outreach helped Commerce leadership feel confident in their recommendations for reorganization. With a mission to grow and improve jobs, it was clear that a significant number of programs didn't fit well in the agency. As Rogers initiated discussion with legislators about finding different homes for these programs, he quickly learned that programs were in the agency for a reason - they were not just dumped there.

Legislators and other partners put programs in CTED (now Commerce) because either they didn't want them in a different agency or they believed that Commerce would handle them appropriately. As such, attempts to move programs elsewhere often met stiff resistance. Commerce Connections and subsequent interactions with legislators led to agency request legislation introduced in the 2010 session. The Commerce bill attempted to move 25 programs from Commerce to other agencies but, in the end, only five programs moved out.

Programs that were initially proposed for moving but then stayed, such as the Office of Crime Victims Advocacy, were left with doubts about whether they really belonged. *Community capacity* was one of the eight priorities for the new agency, a priority anchored in the belief that a strong economy depends on strong communities. Programs to provide low-income housing, weatherization services, and energy assistance helped solidify the base under economically fragile populations so they were better able to participate in the economy. Moreover, many of those programs put people to work in the hard-hit construction sector. Programs aimed at providing economic opportunity such Community Jobs or support from the Community Services Block Grant helped low income individuals prepare to enter the job market. But for people in the agency who were helping victims of domestic violence get out of abusive situations or addressing substance abuse and gang activity, it was a stretch to identify with a mission to grow jobs. Yes, women who escaped abuse, youth who were no longer participating in gangs, or people freed from substance abuse were better able to participate in the economy, but these programs' real mission was to help find better lives for the participants.

The tension around Commerce's mission persists. The agency's three distinct customer groups (businesses, local governments and community based organizations) all want to see their concerns at the forefront. With a business leader like Rogers in the role of director and a mission to grow and improve jobs, business interests seemed to have the upper hand. Agency staff largely accepted the new mission and found ways to connect their programs to that mission, from direct support for job creation to supporting strong communities as a foundation for economic growth. Ultimately, though, the staff's sense of shared purpose and focus had as much to do with how the agency responded to the contraction of state funding and sudden influx of temporary federal stimulus money. These two waves, moving in opposite directions, buffeted the agency and demanded a coordinated organizational response. Agency leaders felt as though they were tossed in a lifeboat in the middle of a big storm; finding smart ways to work together gave everyone the best chance to stay afloat.

The Recovery Act: Federal Money for Jobs

When Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act), much of the money given to states for distribution came through existing federal programs. Commerce had a number of these programs under the agency's broad umbrella and so received over $200 million in new funds. For many Commerce programs, this influx represented an unprecedented level of new funding. The state energy program received $60 million, an almost 100-fold increase in their annual budget and federal- and state-funded weatherization programs also saw a dramatic increase, from $28.4 million in 2008 to $55.2 million in 2009.

The Recovery Act was intended to put the newly unemployed to work as well as prevent further dramatic job loss, so there was a particular emphasis on "shovel-ready" projects that could provide work quickly. The Obama administration also promised an unprecedented level of transparency and accountability in the use of these funds. The latest internet and electronic mapping technologies were deployed to give citizens confidence that dollars were well spent. There was an obvious tension between the objective to spend the money fast to create jobs and to also spend the money well and in compliance with federal and state law. Governor Gregoire was clear that agencies didn't get to choose between those objectives; they had to achieve both. Every program set goals for delivering results with their Recovery Act funds and reported them quarterly through the Governor's Management Accountability and Performance (GMAP) process.

The first program to stumble publically was the low-income weatherization program in the fall of 2009. It had not met GMAP targets which meant few jobs and fewer homes weatherized than the agency had committed. Nobody was happy with the results, especially the Governor, who shared her displeasure in a televised GMAP hearing. The problem was that local community agencies that normally delivered the weatherization services were struggling with new federal requirements and could not scale up quickly enough to meet the aggressive schedule. Rogers and the program leaders looked at different approaches to catch up and finally decided to hire private contractors to supplement the work of the community action programs. Those contractors were able to retrofit several large low-income apartment complexes and by January 2010, the program was back on track with their targets. Eventually, the program exceeded its goals and proved so successful that the federal government provided an additional $7 million in funding because Washington had out-performed other states.

The challenges and triumphs of the weatherization program were repeated across the agency as programs managed the twin mandates to spend Recovery Act dollars fast and to spend them well. For example, the State Energy Program took an innovative approach with their funds and made grants and loans to clean energy companies to accelerate growth in that sector but many of those projects were delayed when they ran into review requirements imposed by the federal law and rule. On the other hand, another State Energy Program that provided rebates for energy efficiency appliances, finished on schedule, saving energy and stimulating sales in the hard goods sectors. The Recovery Act challenged Commerce to move quickly and deploy staff to new opportunities. The agency largely succeeded by relying on the federal program management experience that resides in the staff and a nimble leadership team that addressed problems as they arose.

Cuts to General Fund Programs

While the Recovery Act spending presented the challenge of getting the federal money out smartly, the collapse in state tax revenues forced hard choices about what programs to cut and what to keep. For eleven quarters, the revenue forecast for the state went down. The budget gap dropped off the table in late 2008 and then just kept getting worse. The general fund forecast for the 2009-2011 biennium dropped from $34 billion in June 2008 to $28 billion by March 2011, a decrease of over 17 percent, all while demand for state services increased because of the recession. Commerce, like the rest of state government, found itself in a seemingly endless cycle of preparing new budgets with deeper and deeper cuts.

The governor and the legislature had to make cuts across state programs and faced wrenching choices. Notwithstanding the urgency to take action to increase jobs in the state, economic development programs managed by Commerce took their cuts along with agencies across the state. While some programs at Commerce used federal funds that were boosted by the Recovery Act, the economic development programs relied entirely on state general fund dollars. In addition to making across the board cuts to Commerce programs, Governor Gregoire's budget proposal in the fall of 2010 eliminated the tourism office within Commerce. By June of 2011, the office was closed, staff laid off, and what assets remained transferred to an industry based non-profit.

In spite of the compelling evidence that tourism promotion resulted in tangible economic benefits and jobs for the state, policymakers could not bring themselves to pay for advertising vacation trips to the state when they were reducing health care for children. With the closing of the tourism office at Commerce, Washington became the only state in the U.S. without a state-supported tourism agency.

Every program within Commerce faced cuts. Programs that relied solely on state general fund revenues, like growth management planning, business services, and general administrative functions were especially hard hit. The agency reduced its staff from over 365 to less than 300 in two years, with some voluntary layoffs but mostly through attrition and early retirement. These reductions paired with some of the increased activity from the Recovery Act, stretched agency systems and personnel. The agency responded to these challenges by a combination of eliminating some services and functions and by embracing "lean" management principals.

Helping Small Business

Small businesses are an important source of job creation in Washington and they were especially hard hit by the recession. In response to a series of meetings with small businesses, Governor Gregoire issued Executive Order 10-05 in October 2010 to address the challenges faced by small businesses. Commerce was given two assignments: improve access to credit for small businesses and stream line the compliance requirements for small businesses while maintain health, safety, and environmental standards.

Small Business Credit Initiative

The recession had also severely limited access to credit by small businesses in Washington. Many small businesses found themselves unable to borrow necessary working capital. An analysis by a Commerce consultant estimated that in late 2010 loans to small businesses in Washington were $1 billion less than would be expected in normal credit conditions. President Obama signed the Small Business Jobs Act in October 2010 that allocated $1.5 billion to the states to improve credit access for small businesses. Washington received $19.7 million with the condition that our programs support a minimum of $200 million in new lending to small businesses. While other states had existing programs into which they could place these funds, Washington did not. Commerce engaged local banks, non-profit lenders, banking analysts, and small business in a process to determine how best to deploy these funds and get a minimum leverage of 10 to 1. .

Commerce chose to partner with entities whose main business is providing credit to small business, had the capacity to meet the federal requirements, and were putting their capital at risk. Commerce partnered with the following organizations in a program that will make over $300 million available to small businesses:

Capital Access Program (CAP) CAP encourages lenders to make small business loans that fall just short of conventional business loan approval. This program mitigates the risk to the bank by matching lender and borrower funds to create a reserve that lenders use to cover losses from loan defaults.

Craft3 Fund Craft3 is a non-profit Community Development Financial Institution that lends to small businesses in underserved communities across the state, including by partnering with other small business lenders. Craft3 generally makes loans from $250,000 to $5 million and focuses on serving those companies who were formally-banked but lost access to credit in the recession.

W Fund The W Fund is a $20 million venture fund that invests in early-stage life science, biotech, medical device, alternative energy, and information technology companies emerging from universities, research centers and individual start-ups across Washington. The fund will help spur company formation and job creation from Washington's significant research and development base.

The Small Business Credit Initiative was one example where Commerce's core expertise in contracting with external partners delivered a positive outcome for the state in the wake of the recession.

Efficient and Effective Regulation

The Commerce Connections effort made amply clear that frustration with regulations was at the top of many people's list of government issues. The complaints broadly divided into two areas: disagreements about the standards our state was setting in various environmental and safety areas, and frustration with the effort required to comply with the regulations. The standards issue seemed like a political question best debated and settled in the legislative session or even at the ballot box. Implementation of the standards seemed like a ripe opportunity for focus and improvement. McKinsey & Company validated this opportunity in their June 2011 report on Jobs and the U.S. Economy when they observed that over 20 percent of U.S. GNP now resides in the public and regulated sectors. It noted that these sectors have not been pressed by competition to become more efficient the way the private sector has over the past several decades.

Governor Gregoire's executive order in October 2010 kicked off a cross-agency effort to improve the regulatory experience for small businesses. Since then, agency staff members have engaged restaurants, organic farmers and small manufacturers to streamline their interactions with state government regulators with some good results. Perhaps the biggest opportunity identified requires significant investment in changes to state computer systems. The goal is to create a "My Account" view for small businesses where they can view all of their information, pay taxes, renew licenses and complete any other business transactions they have with the state in one spot on the web. This require, not only stitching together disparate computer systems, but also having individual agencies in the state government agree to change their processes to allow the integrated "My Account" experience for the small business customer. While progress has been made in refining this vision, bringing it to reality remains a challenge and opportunity for the state. The Commerce role in all this is to constantly hold the overall experience of the business owner in view and help each individual regulator see how their piece connects to that overall customer service experience so we can improve it.

Export Initiatives

In his 2010 State of the Union address, President Obama announced the National Export Initiative and set the ambitious goal of doubling U.S. exports by the end of 2014. Helping U.S. companies become more competitive internationally is a critical step to "winning the future," said the President. Following President Obama's national initiative, in June 2010 Governor Gregoire kicked off the Washington Export Initiative, with five-year export target goals, to build a bigger, more accessible and healthy export culture in Washington.

The framework established focus and a way of prioritizing activities that formerly seemed like one-off efforts, such as trade missions, investments in improving freight mobility and

Goals of the Washington Export Initiative

1. Increase the number of Washington companies exporting by 30 percent in five years, to 10,500
2. Directly assist 5,000 Washington businesses in achieving $600 million in export sales through export assistance programs at Commerce, the Washington State Department of Agriculture and CERB export training programs over the next five years.
3. Increase general statewide exports by 35 percent to over $100 billion per year by 2015.

working with partners such as ports, and other trade organizations. Under the initiative, Commerce (along with the Washington State Department of Agriculture) was able to set goals for these activities, many of which were already ongoing. Reporting progress to the Legislature and other constituencies has not only brought more widespread support to the state's efforts, but also encouraged additional ideas and continued updates that will enable the export initiative to be successful over the long-term.

Despite strong results and increasing relevance, export initiative work faces an uncertain future as the Gregoire administration ends. A one-time appropriation to the Community Economic Revitalization Board and a Federal Small Business Administration program called State Trade and Export Promotion helped mitigate agency budget cuts, but with both of these supports phasing out over the next year, the trade assistance pipeline and results will fall short of the five year goals without state support.

Aerospace

Long one of the economic engines in Washington, aerospace continues to play an important role in the health of the state's economy. Recognizing this, the Governor created the Aerospace Council by Executive Order in the spring of 2009. The goal was to bring government, labor and industry to the same table to work on our state's aerospace competitiveness. Through this venue, Commerce had more contact with the labor unions and the unions got more contact with the state's economic development efforts led through the department. As a result, when the agency asked the unions to consider coming to the air show in France in 2011 Paris International Airshow with the Governor and a delegation of aerospace companies, they agreed. Spending several days at the show was eye-opening foreseeing how competitive other states and regions are for aerospace jobs gave SPEEA and IAM. They got a clear sense of the highly competitive landscape in the U.S. and internationally for aerospace jobs which helped motivate their historic agreement later that year with Boeing.

Boeing's decision in late 2011 to build 737 Max in Renton culminated a good competitive run for the state over the last decade, starting with winning the 787 Dreamliner production line for Everett in 2003 and closing with the Air Force re-fueling tanker and 737 Max decisions in 2011. In spite of these successes, opportunities remain for aerospace jobs to spread more broadly across the state. Work has ramped up in recent years through the state community college system and other partners to ensure that Boeing has the qualified workers they need to meet increased production rates and to replace their aging workforce. State efforts must continue and expand, especially in rural areas of Washington, in order to realize the full economic benefits aerospace can offer.

Given that labor costs in the state are higher than elsewhere in the country due to cost of living growth, minimum wage requirements and strong unions, Washington must maintain a focus on education and workforce training and infrastructure improvements if we are to remain a viable location for future aerospace programs. Given the union presence in Washington, a continued cooperative relationship between the union and aerospace management is very important to the future growth of this industry in Washington. To increase Washington's competitiveness in this vital sector of our economy, impartial and up-to-date data and analysis, as well as thorough engagement with interested parties across the state, are required to build support for investment and policy change.

State Energy Strategy

The Recovery Act provided an unprecedented boost to efforts to expand renewable energy, increase energy conservation in buildings, and fund research and development. State government in Washington was to receive over $180 million in energy funding directly and additional funding was available to local government, businesses, and to the Pacific Northwest National lab in Richland. It was clear to Commerce Director Weed that the state needed to get organized to make the most of these funds.

In March of 2009, shortly after he was hired, Rogers Weed assigned a team at Commerce the task of pulling together an energy summit so interested parties across the state could better understand the opportunities and get coordinated to maximize this federal funding. In five weeks, the team organized a day-long event at the state convention center attended by over 800 people. Federal representatives described the new programs, the Governor addressed the crowd, and then signed a bill establishing the Clean Energy Leadership Council. The summit provided a focal point for partnering and planning, and positioned the state to successfully compete for a number of large federal grants. Clean energy offered the promise of putting people to work while also taking steps to reduce the carbon emissions that were contributing to global warming.

As part of the 2010 Commerce bill, the Legislature required the agency to update the almost two-decade old state energy strategy. Because the landscape that surrounds energy policy changes rapidly, the Legislature also required Commerce to keep the strategy current once updated. Commerce convened an advisory committee to assist in the development of the strategy and published a partial update the following December and a full update in 2011. While the energy strategy was being developed, the state's economic and political climate changed as the national recession came to a head, and it became difficult to make progress on some of the most significant initiatives in the new strategy, such as putting a price on carbon. The energy strategy did break new ground with its focus on transportation, which contributes over half of the greenhouse gas emissions in the state. Commerce and energy sector stakeholders have focused policy attention on the recommendations that are easier to implement in the near term, such as accelerating cost-effective energy conservation in buildings, while not losing sight of the larger and more impactful ideas for the future.

Public Works and Infrastructure

Acting on the widely held belief that Washington's infrastructure financing system fails to serve local jurisdictions as well as it could, the Legislature directed the Office of Financial Management in 2005 to commission a study on state-funded infrastructure programs. The study found that state funding was spread out among too many programs and too many agencies, which meant that local governments spent more time navigating through different agencies and programs, than on building funding for a project, and there was not enough effective collaboration between the state programs. This was not a new idea. Since the creation in the 1980's of the Public Works Assistance Account and Community Economic Revitalization Board (CERB), the Legislature, as well as interested stakeholders and other agencies, have searched for more efficient ways to fund local infrastructure in Washington.

Much remains to be done. Despite historic funding flowing out of state infrastructure programs to local governments, and the best efforts of Commerce staff to collaborate and share best practices, the system remains fragmented. However, Washington is not alone in struggling with this challenge. Many states have already implemented or are considering an infrastructure financing authority, which would create a one-stop funding shop for local infrastructure projects and potentially increase the availability of funding. There has even been discussion at the federal level for a similar consolidation nationally. At the state level, Commerce has worked with the Legislature and stakeholders in attempts to build a number of different proposals, but there has yet to be a breakthrough agreement that satisfies all parties involved.

Both of the major infrastructure programs within Commerce - the Public Works Board, which administers the Public Works Assistance Account, and CERB - are very open to changes that would be more efficient for local governments. The Public Works Board has gone so far as to suggest that non-traditional jurisdictions and projects be allowed into the applicant pool, but the Legislature has not yet authorized such changes.

New State-Sponsored Programs

The 2011 legislative session was focused on cutting programs, cutting budgets, cutting back. However, in the midst of all these cuts, two large and important programs were created – and both are perfect examples of how Commerce came to be the all-purpose drawer of state government. Housing and Essential Needs (HEN) and the Foreclosure Fairness Act (FFA) were given to Commerce because of Commerce's existing relationships with housing providers (for HEN) and dispute resolution centers (for FFA), which allowed Commerce to scale up both programs quickly.

With the rising number of foreclosures and growing evidence that some banks were not complying with the relevant federal and state law, the legislature saw an urgent need to ensure fair and timely negotiations to resolve mortgages that were in default. Although Commerce already had housing programs within its scope, foreclosure was a new area of focus and staff had to learn quickly how to work within this unique set of issues. The Housing and Essential Needs program replaced the Disability Lifeline program at the Department of Health and Human Services, which the Legislature had eliminated due to the budget.

For both programs, the agency's skill at working with stakeholders --ranging from the dispute resolution centers, to community based organizations, to banks, to advocates for consumers and the poor,--enabled rapid deployment of programs that work. The programs launched within six months of the Governor signing the legislation that created them. With a strong grounding in performance measurement and accountability, Commerce anticipated the data and reporting needs for these new programs so program managers could learn and adjust to make the programs more effective over time.

Although both programs have gone through the growing pains common to such large and complicated programs, both are great examples of Commerce's ability to swiftly implement effective programs - the junk drawer is one of the most useful spaces in a kitchen.

Lean

Lean is a philosophy developed by Toyota that teaches that waste in a process is anything that doesn't provide value to the customer and should be reduced or eliminated. Since its creation, Lean practices have spread throughout the business world and now to all levels of government. There are many ways state government can help the Washington economy rebound and everyone has their own ideas of what those ways should be. It is clear to Rogers Weed and Commerce that Lean is a philosophy and practice government must embrace and implement, especially when budgets and staffing levels are shrinking.

Commerce has been a leader within state government in adopting Lean. The agency's first project – its time and leave accounting system - was a gamble because it affected every employee. The system at Commerce was paper intensive and frustrated everyone. A team got together and revamped the system and discovered they could save one FTE of work in the agency with the new approach. The process was challenging, but everyone started to see that Lean could eliminate waste in ways that allowed people more time to do more valuable work.

If Washington state government remains committed, Lean can be a win for both employees and customers. Employees will gain more control over how they do their work and will be able to do their job with less stress. Customers will receive better service and, over time, it will make government more efficient, saving money and improving taxpayers' trust.

Because so many Washington companies have adopted the Lean philosophy, it has provided a framework for positive engagement between state government and the private sector. Boeing, Seattle Children's Hospital and Starbucks (to name only a few organizations) have all assisted the state in learning about Lean.

In order to see the results, Lean should be a long-term investment by state government. Because it is a culture change, not just a way to improve processes, it will take time to realize the most powerful impacts. Figuring out exactly what to measure can be difficult because there is no "bottom-line" in state government and we are not making widgets, but it can be done. Commerce has started down the road and sees lots of opportunity.

Lessons learned as the Commerce Director

Rogers is often asked how his job as Director at Commerce compares to the private sector and what has been surprising about it. Here is what he says:

> *As it turns out, there are many similarities between working on the Windows business in Microsoft and working in state government. Both are large organizations with big budgets and lots of partners and customers to consider. When I started, I thought the biggest difference would be that state government is unionized and Microsoft is not. But Commerce has a great relationship with our unions and we have always been able to work out issues we've had. So that has not been the constraint that I thought it might be.*

So the biggest difference has really been working with the legislature. At Microsoft, I had a clear chain of command and understood where to get my direction. In state government, I work for the Governor, but I'm responsible to many other people, including the legislature. Since there are 149 legislators, it can be tough to know which ones care about your work and what is important to them. And since Commerce has over one hundred programs, there are many things that a legislator might care about in the agency. Fortunately, I realized fairly quickly that our agency was full of very experienced program people who had earned respect in the legislature over many years. Enlisting all of their help and hiring a capable legislative director to orchestrate their efforts was critical to building respect and trust with them.

The other big difference I've noticed is how hard I have to work to get candid feedback from people in government to learn when I or the agency can be doing something better. At Microsoft, for better or for worse, the culture was very candid and you knew pretty quickly if your colleagues or your boss disapproved of or disagreed with your work. In government, I've found that people are much more reticent to criticize or correct you. And I think that is because the culture also seems to be very hard on people that make mistakes. The public scrutiny that government operates under is very unforgiving and it creates a culture that doesn't tolerate mistakes well.

I find this unfortunate and something we have tried to change some in Commerce. If mistakes can't be made, improvements and progress will come much slower. As a leader, that means accepting the heat that comes when something significant goes wrong. I've tried to let the agency know that I'm willing to do that. And I've been fortunate that nothing really bad has gone wrong in my tenure. And there are some parts of government where any mistake can be very dire. But Commerce is not one of those, so I hope this agency can continue getting more tolerant of mistakes in order to move faster, take more risks and achieve more for the people of Washington.

The Great Recession forced every state agency to look hard at its core mission, make hard choices about what functions to cut and what functions to keep. This was especially true at Commerce where the diversity of program purposes challenged staff to align with the new mission to grow and improve jobs and question where they fit in the face of tight budgets. Ultimately, the Legislature had to make the tough budget decisions and set the agency's priorities. Ironically, the programs with the strongest connections to job creation in the private sector like tourism promotion and business recruitment and retention took some of the biggest cuts while programs to assist those worst hurt by the recession, such as the disabled and those with homes under foreclosure, expanded. The change from CTED to Commerce allowed the agency to develop a more focused voice on policies to advance the state's economy with a new regular analysis of the state's competitiveness and a new state energy strategy. But some of the biggest changes came in the operation and culture of the agency because of new leadership. The agency embraced Lean, front-lines staff saw their ideas put into action, and a more collaborative management culture emerged. Commerce is a now a tighter federation of programs and better positioned to deliver results to its diverse customer group.