

Prosperity Partnership IT Working Group Cluster
IT Promoting Business Climate Subcommittee

1. Private Civic Investment Fund to Promote a IT Business Climate

Background: It is understood that IT businesses and the knowledge-based workers that populate them are in high demand and have a great deal of discretion as to where they locate. Richard Florida, "The Rise of The Creative Class", has opined that places need to be diverse, tolerant and culturally sophisticated, an environment more likely to be found in urban centers, to compete for and retain IT businesses and the 'creative class'. On the other hand, Joel Kotkin suggests that it is 'Nerdistan,' the predictable, conservative-leaning, high-end suburb that is most attractive to these workers.

Not all cities are creative bohemia nor are all suburbs staid oases of predictability. Also understood is that the suggestion of harnessing the IT industry to a particular place would be strongly repudiated by industry leaders who are themselves highly entrepreneurial, resist external assumptions about their interests and values, and practice on a global stage.

However, underlying all of our participation in the Prosperity Partnership is an unstated concept that the IT sector (as well as other leading sectors) can improve upon its civic engagement (maintaining and enhancing the quality of life that initially attracted them to this region), and these efforts will be their own reward - helping to sustain IT workers and their families, and grow their businesses by attracting new wealth, new workers and enhanced creative energy - for the foreseeable future.

Mission: Civic engagement for the purpose of promoting an IT business climate is a very broad mission. Rather than attempt to define the types of activities that could be enhanced or promoted to engender a better business climate, this concept concentrates on a tool that might be wielded by the IT industry that could have a major impact on our quality of life. (Further analysis would be necessary to determine the focus areas of the tool.)

One recommended tool is a corporate civic investment fund. A good model is The New York City Investment Fund, the brainchild of a network of CEOs led by Henry R. Kravis that was founded in 1996, although there is a much lengthier history of corporate-led civic initiatives. The Fund, (now more than 270 million dollars), grew from a concern regarding NYC's continued competitiveness. (Sound familiar?) It sought to facilitate corporate involvement in community affairs-particularly economic development.

In practice, a 28-member board, all drawn from the private sector, couples financial know-how and discipline with a social investor orientation to provide place-based and social outcomes ranging from: financial support to internet start-ups; seeding of entertainment and media companies; as well as support for non-profit employee-owned healthcare systems and underwriting of retailing establishments in distressed areas. The same concept might be entertained for the Puget Sound Region with a Pacific Northwest spin and specifically for the promotion of IT.

Objectives:

- The fund would provide financing to start-ups, arts entities, educational institutions etc. that are determined to be key to promoting and maintaining an IT business climate.
- The fund would be the leading edge of the 'economic literacy campaign' that has broad support within the Prosperity Partnership, and would symbolize the connectivity of a healthy IT sector and the quality of life all of us share.
- The fund would realize an enduring network of CEOs critical to maintaining cluster connectivity among IT leaders and supporting players.

Prosperity Partnership IT Working Group Cluster
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2a. Communications: Fact Sheet #1

Puget Sound IT: “Most Livable,” “Most Wired,” and “Most Ready” for Success –
Why the Region is Attractive for IT Investment, Business Growth and Location

- Cluster Strength – the region boasts a knowledge base of highly educated, skilled, technical and creative entrepreneurs and is home to hundreds of software companies, including the largest software maker in the world. The region ranks 5th among U.S. metropolitan areas for number of software jobs as a percentage of the total population.
- Quality of Life – the region is consistently home to some of America’s “most livable” cities and counties based on rankings of factors from education, the arts, and recreation to personal safety, the environment and overall affordability.
- High Quality Higher Education – the region boasts access to internationally recognized higher education research and education through the University of Washington, as well as a broad-based community and technical college system with expertise and focus in information technology and skills training for the incumbent workforce. Moreover, Seattle University was among the first schools in the nation to offer a master’s degree in software engineering.
- Broadband Access – the region ranks in the top 10 of the “most wired” in the country with widespread adoption of technology and broadband access for residents and businesses. The technology industry acceptance and promotion of virtual work and teleworking makes the region an ideal location for a business with a diverse and dispersed workforce that can be connected virtually using the tools of the industry to thrive.
- Gateway to Asia/Pacific Rim – the region is a U.S. leader in international trade and technology sales export. About one fourth of all Washington State exports are attributed to the software industry alone and key customers align the Pacific Rim from Korea to Japan to Singapore Among the strongest export customers for Washington State software companies. The region is a center of international trade and gateway to Asia, having long outgrown any popular media misconceptions as a sleepy outpost in the West.
- Knowledge Growth Opportunities for the Creative Class – the region is a hotbed for information sharing across the political and economic spectrum with opportunities fostered for IT professionals to gain access to one another through unique venues and coordination of organizations from the WSA to the Washington Technology Center to college-industry working groups and forums
- Entrepreneurial, Independent Spirit – the region has a long history as a source for creativity, pioneering endeavors and leadership – from Bill Boeing to Bill Gates. The region is a nexus for venture capitalists, investors and artists seeking out the next great idea.

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2b. Communications Fact Sheet #2

Puget Sound: What's In IT for Me? How and Why IT is Important for All of Us in Puget Sound

Consumers and Businesses Benefit – the citizens and businesses of the region benefit from IT advances on a daily basis. Activities from faster consumer loan processing to accelerated government permitting processes for business to the utility of traffic flow maps aid daily lives of residents. Moreover, medical equipment designed and manufactured by Puget Sound companies as well as customized software developed for health professionals, benefits patient care and the overall health services for the region. IT has created new forms of art and methods of delivering creative work in both old and new media to the community.

IT Enables Broader Business Growth – as IT matures, the jobs and impacts of the field are increasingly going beyond pure tech companies and focusing in technology-enabled organizations, companies that use or modify technologies for their specific needs. The National Workforce Center for Emerging Technologies at Bellevue Community College (IT Trends Assessment Report, 2005-06) cites examples of these technology-enabled industries including healthcare, local-state-federal government, insurance, banking, finance and e-commerce.

Safe and Clean – the IT industry is largely a clean, environmentally friendly endeavor. Unlike some industries where safety or environmental impact may be a concern in a time of growth, IT is a clean industry. For a region that prides itself on conservation and environmental protection, this industry characteristic is worthy of highlight.

Access to Technology Benefits IT-Reliant Companies – as the penetration of IT products increases in a wide range of industry sectors, tech-enabled companies (those organizations not focused on IT as their core business) will benefit from access to tech companies to be found in a region such as Puget Sound. Companies seeking customized software solutions specific to their own company and customers benefit from the proximity to large software producers. The IT Trends Assessment 2005-06 report projects a future shift in business from software development to customization of software products. That shift will necessitate increasing “face-to-face” interaction of companies and those in proximity to an IT cluster such as the one in the Puget Sound region will stand to benefit.

Collaborative and Virtual Work Promoted in IT Minimizes Impact on Resources – Emphasis on collaborative work and virtual work teams is expected to continue to increase in the future, especially in the IT industry. Many companies in the Puget Sound region have promoted use of technology tools and strategies and implementation of the virtual workplace. Employees are not place-bound. For example, a software developer could be physically in rural Eastern Washington while working with a company lead and team in the Puget Sound region. While the infusion and growth of technology can mean growth for the region, the growth may not necessarily equate to increased people in the region, thereby minimizing local impact.

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3. Transportation

What transportation actions are needed to help IT cluster growth and job development? Though it has been suggested that we let other cluster groups (such as aerospace and logistics/trade) carry the transportation message, IT has specific transportation needs and is a large part of growth that needs to have transportation input.

Background:

- In Prosperity Partnership surveys, transportation and traffic congestion identified by 76% of respondents (highest negative response) as major problem in economic growth.
- In past, transportation highlighted as a problem, but no specifics on actions.
- Need specifics on problems so strategies and actions can be crafted to solve them. More specifics the better, so that implementation actions can be developed. Don't have to get to location-specific but more definition of need and location the better. (Like going to the doctor and saying "I don't feel well"; need specifics to treat.)

To frame transportation discussion:

Transportation can be divided into 3 needs: 1)commuting, 2)parts/supplies delivery and 3)exporting finished products (others).

Modes of transportation; what are barriers, opportunities, strategies that can be applied?:

Freeways/highways, transit, light rail/monorail, pedestrian/bicycling, trucks, rail, air, marine ports, electronic

Locations for existing and future cluster growth: existing and future (reactive and proactive)

Regional needs: Local, national and global needs

Pro-active siting: new sites based on available capacity of infrastructure

What transportation activities/actions can make a difference?

- Follow the money!
- What's the policy basis for spending the money? Why are we doing what we're doing?
- Build support through a common, comprehensive, integrated vision and actions. It's not just about transportation by itself, or jobs, or environment or communities; it's about all of them and how they co-exist to complement each other. Partnerships.

Ideas for transportation strategies:

1. Messaging: New funding needed. Transportation directly linked with jobs, your job. Need to preserve and expand transportation infrastructure. Link E.D., jobs with transportation and funding. Like Boeing 7E7 effort.
2. E.D. criteria for transportation spending. Better coordination, information and decision-making that incorporates economic development considerations/impacts. How can we maximize the benefits of our investments for economic development? Apply to PSRC TIP, Regional Transportation Investment District II, Sound Transit II and others. E.D. input when major transportation funding actions /decisions made.
3. Technical Applications Summit/Conference- Given the diversity and knowledge of IT in region, can we become a birthing ground for new IT applications to solve our transportation problems? 45 years ago, computers brought into travel modeling. More recently intelligent transportation systems, such as signal interconnect. What other opportunities exist? Traffic congestion is a local, national, and global phenomenon, huge problem and demand for solutions. e.g. Boeing and Morgantown rapid transit. Two groups: IT experts (technology/applications) and transpo. experts (problems/needs) = new solutions.
4. E.D. assessment/review for major transportation projects, combined with environmental review?
5. Transportation pro-active growth areas- Encourage growth in existing, concentrated cluster locations where transportation capacity exists or is planned. Advocate for development that has higher densities, mixed land uses and active transportation (walking, bicycling, good street connections, and access to transit.)
6. More and better transit and light rail service to cluster group sites.

7. Merge/align E.D. interests with public health/physical activity interests as part of new comprehensive approach to planning/implementation.
8. More aggressive transportation demand management strategies. Expanded Commute Trip Reduction. Parking controls, tolling/pricing, telecommute, e-conferencing.
9. Continuation of Freight Action Strategy (FAST) project and implementation to improve at-grade rail crossings and truck traffic.
10. Advocate for jobs/housing balance and affordable housing to reduce trip making and vehicle miles of travel.
11. Key corridor project improvements: SR-520, Light Rail to Eastside
12. Others?

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4. Tax Overview

Description and Objective

This paper is to provide a snapshot of the state's tax system, with particular emphasis on the taxes that affect IT Cluster companies, and options for tax reform for the IT Friendly Business Climate Subcommittee.

State Tax Structure Paper

One of the issues that the IT Cluster discussed at length before breaking into subcommittees was state taxes, particularly as they pertain to the IT industry.

Several concerns were expressed by the group that Washington's state tax system was not adequate in terms of providing the financial resources necessary to fund the programs that the IT sector valued, particularly higher education in math and science degrees. At the same time, the tax system in Washington is generally favorable for technology companies, particularly those who engage in research and development.

Any discussion of state tax reform or substantial change must be taken with the realization that this is a volatile political issue. Any real change to Washington's tax structure will require a sustained and ongoing campaign to change citizens' minds about the tax system and will require large businesses that benefit from the current system to agree to pay more under a new system. Neither of these outcomes is likely in the near term. This does not mean we should avoid the topic but it means that we should be realistic about believing that substantial change will occur anytime soon.

Washington's Tax System

The five largest sources of revenue for Washington state government are:

- Retail sales tax (\$11.8 billion collected between 2003-05)
- Business and Occupation (B&O) tax (\$4.1 billion collected between 2003-05)
- Property tax (\$2.7 billion collected between 2003-05)
- Real Estate Excise (REET) tax (\$1.2 billion collected between 2003-05)
- Public Utility (PUT) tax (\$600 million collected between 2003-05)

All "other" taxes, such as insurance premiums, liquor, tobacco, etc. combined collected \$2.7 billion during the 2003-05 biennium for the state's general fund. Some proceeds of these other revenue sources also go into dedicated accounts for specific purposes.

The retail sales tax represented 51.1% of taxes collected for the 2003-05 biennium; B&O tax represented 17.8%, property tax 11.8%, REET 5.1%, PUT 2.5% and other 11.8%.

All of these taxes, except the B&O, are paid by both consumers and businesses. Washington's businesses pay a higher percentage of total taxes collected than businesses in most other states, something along the lines of 45% to 48% of all taxes paid. In states that have a corporate and a personal income tax, the business tax burden percentage is in the thirties.

Washington is unique in that its primary business tax is levied on gross receipts as opposed to net income. Washington is among a small group of seven states that do not levy a personal income tax. The B&O is paid by both sole proprietors and the self-employed. In income tax states, this income is usually captured by the personal income tax.

On a per capita basis, Washington residents paid \$3216 in state and local taxes in 2002 (latest data available) compared to the national average of \$3149. The \$3216 is broken down on a per capita basis as: \$1522 sales tax (almost double the national average of \$776), \$740 in other taxes compared to \$598 national average and \$954 in property tax, slightly below the national average of \$971 per capita. The national per capita average tax burden includes \$804 in income

taxes that Washington does not have. Washington ranks 16th highest among the states in per capita state and local tax burden but ranks 32nd when measured by taxes per \$1000 of personal income. This difference is due to Washington's relatively high level of wages and salaries.

While Washington's businesses pay a higher percentage of total taxes generated than in other states, the state's lower wage earners pay a larger percentage of their income in tax than do higher income individuals because of the regressive nature of the sales tax and the lack of a personal income tax.

State tax credits for the IT and other tech-related industries

While the B&O tax is extremely punitive for small companies and for high growth but not yet profitable companies, there are several state tax credits available for technology companies that are detailed below that help to reduce the burden of the B&O tax.

B&O Credit for Research and Development

This tax credit allow entities who are engaged in R&D in certain areas (advanced computing, advanced materials, biotechnology, electronic devices and environmental) to take a credit against their B&O tax if they have taxable revenue and spend a certain amount on qualified R&D. No entity can take a credit that exceeds their B&O liability and the maximum credit is \$2 million per year. This tax credit expires

January 1, 2015. DOR must report to the legislature about this program in 2009 and again in 2013.

Sales Tax Deferral/Exemption for R&D Facilities

For entities that build a new facility or purchase new equipment that is used for qualified R&D, they can defer and eventually be exempt from sales taxes associated with building a facility or buying equipment used for qualified R&D under the categories listed under the B&O credit. The sunset dates and reporting requirements are the same for the B&O credit. The Dept. of Revenue estimates that the B&O credit and the sales tax deferral will "cost" the state \$174 million during the 2005-07 biennium.

B&O Credit for Hiring Computer Programmers in Rural Areas

A B&O credit of up to \$1000 annually for five years is available to entities that hire a computer programmer in a rural area. This credit cannot be taken if a taxpayer takes any other B&O credit. This program expires January 1, 2011.

B&O Credit for IT Help Desk Services in Rural Areas

This credit allows taxpayers to forego up to 100% of B&O liability if that entity is providing third party IT help desk services in a rural area. This credit also expires January 1, 2011.

Sales Tax Deferral/Exemption for Manufacturing, R&D or Computer Services Facilities in Rural Areas

This tax incentive works much the same as the sales tax deferral listed above except that it is limited to rural areas. A taxpayer cannot use more than one sales tax deferral. This incentive expires July 1, 2010. The Dept. of Revenue estimates that the rural county programmer, help desk and sales tax deferrals programs will "cost" the state \$39 million for the 2005-07 biennium.

Moratorium on Taxing Internet Service Providers

Washington prohibits any discriminatory taxes upon ISPs or internet service. ISPs are required to pay B&O tax but not at a rate above any other service provider. There is also a moratorium on any Internet access taxes until July 1, 2006.

Other Tax Incentives

The state also offers several sales tax exemptions for the purchase of computer and software for certain uses. For example, publishers and printers do not have to pay sales tax when buying computers or software that is used strictly for publishing. Aerospace companies do not have to pay sales tax on computers and software that are used for making commercial aircraft. These incentives may help to spur the purchase of technology products.

Discussion of Options for State Tax Reform

Before specific options for tax reform are discussed, it is worthwhile to agree on what the hallmarks of a good tax system are. There are four prerequisites to a sound tax system: taxation is broad based, rates are low, administration is not difficult and compliance is not difficult. Washington's tax system is somewhere in the middle of these categories. As examples, the B&O tax is very complicated and difficult to comply with but it is broad based. The sales tax is fairly broad based but rates are high and differing local rates make compliance somewhat difficult.

Specific Tax Options

Extend the Sales Tax to Services

This option has appeal as a way to broaden the base of the tax system in that most services are not taxed in Washington and it would raise a lot of money for the state. There is also some appeal because of the belief that by taxing services it captures taxes from higher income individuals who are more likely to use services than lower income people.

Such services as attorneys, accountants, consultants, custom software developers and others would be taxable. Service providers would have to assess their clients/customers the state and local sales tax and remit those funds to the state. These service providers would see their own B&O rate reduced to the retailing level of .471%. The tax burden would be on those individuals and companies who bought taxable services.

Businesses overall would see a tax increase under this scenario as they consume a large amount of services. Service businesses would see a tax decrease as their B&O rate would drop but they would have the liability for sales tax remittance.

It is extremely difficult to predict if any shifts of economic activity would occur if the sales tax was levied on services but it is likely that there would be. Companies could decide to bring these services in house to avoid paying the sales tax but smaller companies would have little choice but to pay the tax. Tax avoidance would take the form of securing these services from out of state but the use tax statute would apply in those cases and taxpayers would be liable for use tax on any services that are taxable in Washington.

Eliminate B&O Credits, Deductions and Exemptions

There has been some discussion but no widespread support for simply eliminating various B&O tax incentives. As shown above, the tech related tax incentives, if repealed, could bring in a fairly large chunk of tax revenue to the state. However, Dept. of Revenue can only estimate how much these incentives will keep out of state government coffers. DOR often makes estimates on the outer edge of what is likely to occur. They base their estimates on what has occurred in the past. In fact, the B&O credit for R&D is lower now than it was in the late 1990's and 2000. The amount of credit taken dropped during 2001 and 2002. The same is true for the sales tax deferral. A large amount of sales tax deferral was due to Microsoft's construction of their large campus in Issaquah. It is difficult to say if a project of that magnitude will be built in the near future. This means that it is quite possible that these particular tax incentives will "cost" the state less than what DOR estimates.

The other factor to consider is whether or not a loss of tax incentives results in less overall economic activity. If tech companies cannot get a tax break for R&D will they continue to do R&D in Washington and transfer well paid employees, and their spending, to other locations.

What is likely true, though, is that repealing tax incentives will result in more revenue to the state. This could also be done in conjunction with a general B&O rate reduction, which would lessen the impact to businesses of the loss of tax incentives.

This option would certainly simplify administration and compliance but incidence of tax and nexus issues would still be areas of ongoing disagreement between taxpayers and DOR.

Adopt a Corporate Income Tax

This option appeals to many businesses since the corporate income tax is common across the U.S. and it is only paid by profitable companies. Unprofitable, small and startup companies would benefit as they would either not pay tax or pay less than under the B&O.

In order to collect the same amount of revenue as the B&O tax does, a corporate income tax would have to be set at between 12 and 14 percent, which would be one of, if not the highest income tax rate in the nation. Sole proprietors and self-employed individuals generally do not pay corporate income tax.

Large, established businesses would probably resist a corporate income tax as they have become used to the B&O, have a large stake in the various B&O credits and have learned how to source revenue to lower tax locations. A corporate income tax would require a great deal of change, which would be fought by larger established businesses.

The advantage of a corporate income tax is that it is easy to comply with, easy to administer, is broad based in that any company with net income pays it. The disadvantage is that the rates would not be low, especially as compared to other states. A corporate income tax could make Washington less competitive as business tax rates would be comparable across states and higher rates would be assumed to be less competitive.

Adopt a Personal Income Tax

A personal income tax has some appeal as a way to raise money for the state, reduce the overall business tax burden and capture revenue from those with higher incomes. It is totally anathema to the populace at large.

Personal income taxes are a very effective way of funding government operations. Progressive rates allow higher percentages of tax to be taken from higher income individuals.

There are many constitutional questions regarding adoption of a personal income tax. Since income is considered property and all property must be uniformly taxed in Washington, adopting a progressive income tax may not be constitutional. The same is true of a corporate income tax.

Previous attempts to adopt a personal income tax have failed and all indications are that the same outcome would occur again if Washingtonians were asked to vote on such a proposal.

The advantage for business is that the overall tax burden would shift to individuals in terms of total taxes paid by business. A personal income tax could be broad based, although any option would likely exempt the first \$20,000 of income from taxation or only tax those with incomes of \$100,000 or greater.

Difficult Choices to Make

There are no easy choices to make by policymakers when it comes to state taxes. If the desire is to lower the tax burden for businesses, adoption of a corporate and personal income tax makes the most sense. This particular choice would broaden the tax base, ease compliance and administration and diversify the state's revenue streams. It also means that unprofitable businesses would no longer be liable for tax and the need for credits would be lessened or gone altogether. The resistance from citizens and larger businesses makes this option untenable at this point.

Extension of sales tax to services increases the amount of taxes that both businesses and individuals pay, which does not improve the tax situation for business in Washington. It does broaden the tax base and tax rates would not have to go up. In fact, the sales tax rate might be able to go down if enough new revenue is collected by a services sales tax. There would be compliance and administration problems as businesses that did not have to collect the sales tax previously would have high administrative burdens to convert their systems to do so.

Elimination of tax incentives would definitely increase the business tax burden in Washington and would hurt smaller companies in particular that benefit from tax incentives. This option would permit greater consistency across business taxes but would do nothing to broaden the tax base. Compliance and administration would improve as taxpayers would not have to apply for tax incentives and DOR would not have to determine eligibility for them.

Putting These Options into Context

No discussion of state tax reform is complete without putting it into context with state spending. Washington's elected officials have rarely shown any spending discipline, except when forced to. Despite all the hand-wringing over "cuts", the state operating budget increased even during the recession that officially ended in November 2001. The current operating budget that ends July 1 is larger than the previous two year budget.

In fact, the state will collect approximately 7% more revenue during the 2005-07 biennium than in 2003-05. The Priorities of Government process adopted by Governor Locke brought some much needed spending discipline into the state budgeting process.

IT Cluster businesses have a big stake in some of the state's "products", namely its graduates from higher education institutions. One of the real issues at the heart of tax reform discussions is how to increase both the quality and quantity of college graduates, particularly in math and science degrees. This costs a lot of money, especially since math and science degrees are more "expensive" than most other degrees.

There is no guarantee that any additional revenue collected by the state either through tax reform or by increased economic activity in general will be channeled into those programs that are valued by the IT Cluster. This requires a concerted effort over the short and long term by advocates of higher education to put more resources into our research and regional universities and branch campuses with specific appropriations for math and science programs.

If the goal of the IT Cluster is to increase the amount of state resources devoted to educating more students in math and science programs, a unified lobbying effort will be more effective than advocating for widespread tax reform.

Conclusion

Washington policymakers have a wide range of choices to change the tax system. No particular option or combination of options will make everybody happy and will make many unhappy. The adoption of a corporate and/or a personal income tax is the best option to reduce the overall business tax burden but will be resisted by citizens and large businesses.

Any choice the IT Cluster decides to make will have political ramifications that will affect its credibility. If the IT Cluster wishes to see an improvement in the overall business climate through tax policy, it will require a statewide effort to convince citizens that taxing themselves is in their best interests.

If the IT Cluster believes that the business climate is improved by having more math and science graduates from our state's universities, it must also make a case to citizens that devoting more resources to higher education are in their best interests. This may require tax reform to achieve but it is a different set of choices and actions.

Addendum

Additional tax and financial information can be found at the websites of the Dept. of Revenue, www.dor.wa.gov and the Office of Financial Management, www.ofm.wa.gov.

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5. The Digital Divide

Readily available high-speed Internet access is a critical success factor for information workers in almost any sector of business or government. As we become more dependent on the Internet to conduct both our public and private business, this only becomes more self-evident. Nowhere is this truer than the IT sector where it is already common practice to have distributed teams of virtual developers, project managers, and suppliers. The teams themselves may have members who are literally half-a-world away. I know of a local product company that had a core virtual development and management team in the Puget Sound, area worked with graphic designers in Canada, and had specialized development in Pakistan and the Ukraine. The local team rarely met face-to-face. The entire team came together regularly only in cyberspace. New collaboration tools (e.g. Microsoft's NetMeeting), and virtualized call centers with call center agents working from home, are examples of emerging high-bandwidth applications that are emerging across industry and government segments.

I think that most people would also agree that education in general, and especially high-technology education, requires high-speed (and high-performance) Internet access both at school and at home. Washington State's visionary K20 network begun in 1996 was an early and bold recognition of what was then nothing more than an emerging trend..

While the Greater Seattle Area is perceived to have both excellent wired and non-wired high-speed Internet access, there are significant centers of business activity even within in the Seattle/Bellevue area (e.g., the Bel-Red Road corridor to name one) without access to high-speed Internet services).

For residential and business users in rural areas of the Puget Sound Region (and the State for that matter), high-speed Internet access is not something taken for granted. In many cases the service appears to be spotty, and when available, costly. Why do I say "appears to be"? I say this because at this point the only reliable source of data regarding the availability of this service I have been able to find comes from the carriers or cable providers one phone number, or one address, at-a-time. Bill Gillis who heads the Center to Bridge the Digital Divide at Washington State University confirmed this state of ignorance in an email to me and said that it frustrated him as well.

If we agree that ready and affordable access to sufficient bandwidth to support IT activities is key to the growth of the IT industry in this four county region, someone needs to focus on this issue and begin to formulate an actionable public policy around making sure that both the urban an rural areas of the region are provisioned with the required services through whatever technology makes the most sense for each area and each cluster of business activity. This may go so far as forcing a re-definition of what constitutes a basic service on the part of the WUTC.

As a related activity, I believe that someone also needs to take a good look at the k20 network to see if it is adequate to the challenges of educating tomorrow's workers today.