

# SENATE BILL REPORT

## SB 5329

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As Passed Senate, January 20, 2006

**Title:** An act relating to cluster-based economic development.

**Brief Description:** Establishing an industry cluster-based approach to economic development.

**Sponsors:** Senators Pflug, Shin, Esser, Schoesler, Roach, Rasmussen, Rockefeller, Berkey and Mulliken.

**Brief History:**

**Committee Activity:** International Trade & Economic Development: 1/27/05, 2/8/05 [DP].  
Passed Senate: 2/25/05, 46-0; 1/20/06, 36-0.

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### SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass.

Signed by Senators Shin, Chair; Pflug, Ranking Minority Member; Doumit, Eide and Zarelli.

**Staff:** Jack Brummel (786-7428)

**Background:** Clusters are groups of complementary, competing, and interdependent industries that drive wealth creation in a region, primarily through export of goods and services. An industry cluster is different from the classic definition of industry sectors because it represents the entire value chain of a broadly-defined industry from suppliers to end products, including supporting services and specialized infrastructure. Firms in a cluster are more strongly connected to one another by the flow of goods and services within the cluster than the flow linking them to the rest of the economy.

Clusters are characterized by geographic concentration of the related industries within a region and represent a distinct way of organizing economic data and viewing the economy. Viewing a group of companies and institutions as a cluster highlights opportunities for coordination and mutual improvement in areas of common concern without threatening or distorting competition.

**Summary of Bill:** The Department of Community, Trade, and Economic Development (CTED) is to work with industry and cluster associations, federal and state agencies, and others to develop industry cluster-based economic development strategies. Industry clusters targeted by CTED may include environmental technology, photonics, microelectronics, and robotics, among others. The department must evaluate the potential return to the state from devoting additional resources to identifying and assisting industry clusters. In developing industry cluster-based strategies, CTED may conduct focus group discussions and studies, support the formation of industry cluster associations, and provide methods for communication among firms within industry clusters.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** There is great value in an Industry Cluster approach. It is important for the state to focus its resources as this bill does.

**Testimony Against:** None.

**Who Testified:** PRO: Jerry Smedes, NW Environmental Business Council; Ron Newbry, WA Economic Development Council; Paulette DeGard, Industry Cluster Institute.