

HOUSE BILL REPORT

2SSB 5995

As Reported by House Committee On:
Community & Economic Development & Trade
Appropriations

Title: An act relating to the economic development commission.

Brief Description: Providing for the role of the economic development commission in state government.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kastama, Zarelli, Kilmer, Clements, Kauffman, Shin, Pridemore, Regala, Fairley, Brown, Jacobsen and Rasmussen).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 3/19/07, 3/29/07 [DPA];
Appropriations: 4/2/07 [DPA(APP w/o CEDT)s].

**Brief Summary of Second Substitute Bill
(As Amended by House Committee)**

- Expands the membership of the Economic Development Commission (Commission).
- Authorizes the hiring of an executive director and other staff to support the Commission.
- Expands the duties of the Commission.
- Requires an inventory.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 6 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Chase, Darneille, Rolfes and P. Sullivan.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 3 members: Representatives Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member and Haler.

Staff: Tracey Taylor (786-7196).

Background:

In 2003, the Legislature established the Economic Development Commission (Commission). The duties of the Commission include: reviewing and periodically updating the state's economic development strategy and performance measures, and performing an annual evaluation; providing policy direction to the Department of Community, Trade and Economic Development (DCTED); identifying policies and programs to assist Washington's small businesses; and assisting the DCTED with procurement and deployment of private funds for business development, recruitment and promotion. In addition, the Commission is charged with providing policy direction to the DCTED regarding the development of strategies that: (1) promote business retention, expansion, and creation within the state; (2) market state products and services; (3) promote the state's business climate; (4) enhance relationships and cooperation between local governments, economic development councils, state agencies, and the Legislature; (5) integrate economic development programs; and (6) increase the flexibility of funds available for economic development. The members of the Commission shall also meet with the Chairs and Ranking Minority members of the legislative committees overseeing economic development policies.

The Director of the DCTED must work with the Commission to develop and implement economic development policies consistent with the advice of the Commission.

The Commission consists of seven to nine members appointed by the Governor, and each serves three-year terms. The members selected must broadly represent the state's geographic regions, including central and eastern Washington. In making the appointments, the Governor must consult with organizations with an interest in economic development, as well as the chairs of the legislative committees with jurisdiction over economic development issues. The Governor should also consider representation from women-owned businesses, minority-owned businesses and small businesses. Seventy-five percent of the Commission members must be from the private sector. The chair of the Commission shall be selected from the appointed members by a majority vote of the Commission.

The Commission is required to provide a biennial report to the Legislature outlining the Commission's review of and recommendations regarding the state's laws, economic development policies, and programs.

Summary of Amended Bill:

The membership of the Commission is increased to 11 voting members, appointed by the Governor with the consent of the Senate. The members must be distributed as follows: six representatives of the private sector; one representative of labor; one representative of port

districts; two representatives of institutions of higher education; and one representative of associate development organizations. In addition, the Director of the DCTED, the Director of the Workforce Training and Education Coordinating Board, the Commissioner of the Employment Security Department, and the chairs of the standing economic development committees of the House of Representatives and the Senate shall serve as nonvoting, ex officio members.

The chair of the Commission shall be a voting member selected by the Governor, with the consent of the Senate, and shall serve at the pleasure of the Governor. In selecting the chair, the Governor shall seek a person who understands the future economic needs of the state and nation and the state's economic development system in meeting those needs. Each member of the Commission may appoint a designee to function in his or her place and a designee appointed by voting members shall have the right to vote.

An executive director of the Commission shall be appointed by the Governor. The executive director may only be dismissed with the approval of a majority of the Commission and the Governor.

The executive director shall serve as the chief executive officer of the Commission. The executive director may employ such personnel as may be necessary to implement the duties and powers of the Commission. Subject to the approval of the Commission, the executive director shall appoint necessary staff who shall be exempt from the state civil service law. Other staff may be employed by the executive director to ensure the proper discharge of the functions of the Commission. The executive director may also employ outside consulting and service agencies when appropriate. In addition, the executive director may utilize the staff of existing operating agencies to the fullest extent possible. The executive director may not also serve as the chair of the Commission. Finally, the executive director shall exercise such additional powers, other than rule-making, as may be delegated by the Commission.

The duties of the Commission are changed. First, the Commission must concentrate its major efforts on planning, coordination, evaluation, policy analysis, and recommending improvements to the state's economic development system. Second, the Commission must: develop and maintain on a biennial basis a state comprehensive plan for economic development, including, but not limited to, goals, objectives, and priorities for the state economic development system; identify the elements local associate development organizations must include in their countywide economic development plans; and review the state system for consistency with the state comprehensive plan. Third, the Commission must establish and maintain an inventory of programs of the state economic development system and related state programs; perform a biennial assessment of the ongoing and strategic economic development needs of the state; and assess the extent to which the integrated approach meets such needs.

In addition, the Commission must periodically review for consistency with the state comprehensive plan for economic development the policies and plans established for business and technical assistance, export assistance, and infrastructure development. The Commission must review and make recommendations to the Office of Financial Management (OFM) and

the Legislature on budget requests and legislative proposals relating to the state economic development system for the purposes of consistency with the state comprehensive plan for economic development. In addition, the Commission is charged with providing coordination among the different agencies, organizations and components of the state economic development system at the state and regional levels. Also, the Commission must advocate for the state economic development system and for meeting the needs of industry associations, industry clusters, businesses, and employees.

By January 1, 2001, the Commission must identify partners and develop a plan to develop a consistent and reliable database on participation rates, costs, program activities, and outcomes from publicly-funded economic development programs in the state. In coordination with the development of the database, the Commission must establish standards for data collection and maintenance for providers in the economic development system in a format that is accessible to use by the Commission. A minimum common core data to be collected shall be required by each entity providing economic development services with public funds. The minimum common core data requirements shall be developed in consultation with the Economic Climate Council, the OFM, and the providers of economic development services. In addition, the Commission shall establish minimum common standards and metrics for program evaluations of economic development programs and monitor such program evaluations. Beginning no later than January 1, 2012, the Commission must administer, on a schedule established by the Commission, a scientifically-based outcome evaluation of the state economic development system.

In addition, the Commission shall evaluate proposals and make recommendations for expenditures from the Economic Development Strategic Reserve Account. The Commission must produce a biennial report to the Governor and the Legislature on the progress by the Commission in coordinating the state's economic development system and meeting their other obligations and duties. The report may include any recommendations for statutory changes necessary to enhance the operational efficiencies and improve coordination.

The restriction that the Commission must receive necessary staff support from the DCTED and other appropriate state agencies within existing resources is removed.

Finally, the Economic Climate Council must consult with the Commission when selecting benchmarks. The current Economic Climate Council Advisory Committee is eliminated.

The Commission is required to develop and update a state comprehensive plan for economic development and an inventory of state economic development programs by June 30, 2008, and report to the Legislature and the Governor on the findings, analysis, and recommendations on the appropriate state role in economic development and the appropriate administrative and regional structure for the provision of economic development services by September 1, 2008.

Amended Bill Compared to Second Substitute Bill:

The amended bill keeps the Commission in the DCTED. The amended bill directs the Commission to review, not monitor, other agencies and programs for consistency with the state comprehensive plan for economic development. The amended bill eliminates the

requirement that the Commission work with the Workforce Training and Education Coordinating Board to ensure the alignment of the state comprehensive plan for economic development with the state comprehensive plan for workforce development. The amended bill directs the Commission to identify partners and develop a plan for a database by January 1, 2011, and to periodically administer a scientifically-based outcome evaluation for the state economic system beginning no later than January 1, 2012.

The amended bill requires the Commission to develop and update a state comprehensive plan for economic development and an inventory of state economic development programs by June 30, 2008, and report to the Legislature and the Governor on the findings, analysis, and recommendations on the appropriate state role in economic development and the appropriate administrative and regional structure for the provision of economic development services by September 1, 2008. The amended bill specifies that the chair of the Commission must be selected from the voting members of the Commission and appointed by the Governor, with the consent of the Senate and removes the requirement that the Governor must select the executive director from a list of candidates submitted by the Commission. Finally, the amended bill requires the Economic Climate Council to consult with the Commission when selecting benchmark and eliminates current Economic Climate Council Advisory Committee.

Appropriation: None.

Fiscal Note: New fiscal note requested March 29, 2007.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Economic development is the key to this state's prosperity and way of life. There is a lack of unifying resource in this state's economic development system. Although there are many organizations, we need an individual economic development mechanism to evaluate plans and programs, monitor other states, and ensure Washington is on the right track. We have been working with the Governor's Office on this bill and would request an amendment to keep the Commission in the DCTED. In addition, we recommend amending the bill to include an inventory and a report on the economic development system. We need to determine what is the best way to structure Washington's economic development system and by tasking the impressive professionals on the Commission, we can improve on our system coordination.

(Opposed) None.

Persons Testifying: Senator Kastama, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without amendment by Committee on Community & Economic Development & Trade. Signed by 26 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Buri, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist and P. Sullivan.

Minority Report: Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Hinkle, Kretz and Walsh.

Staff: Owen Rowe (786-7391).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Community & Economic Development & Trade:

The amended bill adds the ranking minority members of the House of Representatives and the Senate Economic Development Committees as nonvoting members of the Economic Development Commission. A null and void clause is also added, making the enactment of the bill contingent on funding in the budget.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 29, 2007.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.