

HOUSE BILL REPORT

ESSB 5868

As Reported By House Committee On:
State Government

Title: An act relating to consolidation of state agencies.

Brief Description: Creating the department of economic and community development.

Sponsors: Senate Committee on Trade, Technology & Economic Development (originally sponsored by Senators Skratek, Bluechel, Sheldon, Erwin, Deccio, M. Rasmussen, Snyder, Gaspard and Winsley).

Brief History:

Reported by House Committee on:
State Government, April 1, 1993, DPA.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: Do pass as amended. Signed by 5 members: Representatives Anderson, Chair; Veloria, Vice Chair; Campbell; Conway; and Pruitt.

Minority Report: Do not pass. Signed by 3 members: Representatives Reams, Ranking Minority Member; Vance, Assistant Ranking Minority Member; and Dyer.

Staff: Bonnie Austin (786-7135).

Background: The Department of Community Development (DCD) was established to provide financial and technical assistance to local communities. DCD has a broad range of responsibilities, including: administering federal and state grants and programs; administering community service programs such as Energy Assistance, Headstart, and Weatherization programs; assisting in the development of low and moderate income housing programs; coordinating local volunteer efforts; providing a state-level focus for fire protection services; administering a cultural heritage program; coordinating the Emergency Services Program; administering certain family services and programs; and assisting growth management efforts.

The Department of Trade and Economic Development (DTED) was established in 1985, replacing the Department of Commerce and Economic Development. DTED provides financial and

technical assistance to local governments and businesses in the state in the areas of business expansion, foreign and domestic outreach, tourism development, film and video production outreach, business assistance, targeted sector industries, and international trade opportunities.

Summary of Amended Bill:

I. DCD/DTED MERGER

The Department of Community and Economic Resources is created. As of July 1, 1994, DCD and DTED are abolished and all of their powers, duties, and functions are transferred to the new Department of Community and Economic Resources. All documents, records, equipment, funds, and assets are transferred to the department. All employees are transferred in accordance with state civil service and collective bargaining laws. All rules, pending business, contracts, and obligations of the abolished agencies will be continued and acted on by the department. The director of the Office of Financial Management will resolve questions arising from the transfer.

The director of the department will be appointed by the governor, subject to Senate confirmation. The director is given administrative authority over the department. The department is given responsibility for promoting community and economic development in the state. Department functions are detailed.

The directors of DTED and DCD will jointly submit a transition plan to the governor by November 15, 1993. The directors are required to analyze existing programs and make recommendations for change. An advisory committee of affected stakeholders will be established.

In the next four years, the new department will pursue the following policy objectives: develop local and regional partnerships; diversify the state economy; and encourage development that maintains the health of the environment while providing employment.

II. CREATION OF NEW PROGRAMS

Four new programs are established. These are: (1) a local economic development service program; (2) a targeted sectors program; (3) a technical assistance and training program; and (4) a local development grant program.

The Local Economic Development Service Program will coordinate economic development service delivery and promote partnerships to encourage economic growth. The department

will contract with associate development or other local organizations for service delivery. Each associate development organization will designate the five most significant sectors of the economy within that region and conduct annual surveys on economic trends and employer and employee needs.

The Targeted Sector Program will evaluate the potential return to the state from devoting additional resources to targeted sectors of the economy such as software, forest products, biotechnology, environmental industries, aerospace, food processing, tourism, and others. Permissible program activities are detailed. The department will report annually to the Legislature on the Targeted Sectors Program.

The Technical Assistance and Training Program will provide technical and managerial assistance to local communities and small businesses. Technical assistance elements are detailed. In distressed or timber impact areas, grants may be awarded from a technical assistance funding pool.

A local development grant program may be established. The program will coordinate project funding with federal, state, local, private, and non-profit sources. Grant preferences and requirements are detailed.

III. EXISTING PROGRAMS REPEALED

The following DTED programs are repealed: (1) Foreign and Domestic Outreach; (2) Business Expansion and Trade Development; (3) Tourism Development; (4) Film and Video Production; (5) Local Economic Development Service; (6) Washington Ambassador; and (7) Targeted Sectors.

The following DCD programs are repealed: (1) Local Development Matching Fund; (2) Facilitation of Business Siting; (3) Urban-Rural Links; and (4) Community Revitalization Team.

IV. MISCELLANEOUS

The Work Force Training and Education Coordinating Board is required to coordinate with the department in certain areas. The Department of Employment Security is added to the Senior Environmental Corps Program. The Business Assistance Center is extended for two years. The center will terminate on June 30, 1995.

Amended Bill Compared to Engrossed Substitute Bill: The intent section is rewritten to emphasize growth management, housing, infrastructure, and other community development

programs as well as economic development. Intent language targeting state resources is deleted. The planning process will focus on the structure of the new department. Provisions requiring the development of strategies for a sectoral and a geographical focus, and implementation steps for economic development items, are deleted. Labor unions are added to the list of groups to consult and encourage partnership with.

In the Local Economic Development Service Delivery Program, the requirement that the department divide the state into service delivery regions, and the regional criteria, are deleted. In the Technical Assistance and Training Program, the community development and entrepreneurial development institutes are deleted. The establishment of a local development grant program is authorized, but not required. The requirement that the Grant Program be administered in conjunction with the federal Community Development Block Grant Program is deleted. Language giving priority for these federal funds to economic development projects is deleted. Targeting requirements for these funds are also deleted. Other technical corrections are made.

Fiscal Note: Available.

Effective Date of Amended Bill: Sections 77 and 78 take effect immediately. Sections 1 through 8, 10 through 76, and 79 take effect July 1, 1994. Section 9 takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Studies have found that there is fragmentation, duplication of services, and insufficient coordination between state and local programs in the area of economic development.

Economic development programs are of inadequate scope and scale to meet the broad needs of local communities and businesses. Additionally, they are not evaluated for effectiveness on an ongoing, systematic basis. The state needs a single, coherent economic development policy.

The governor supports the merger. Economic development works best at the local level. The effectiveness of economic and community development efforts can be enhanced by increasing the capacity of community-based groups to deliver needed services. We don't need to study this further, but should move ahead with implementation planning.

Testimony Against: The intent section, as well as the whole bill, is too focused on economic development. DCD programs are barely mentioned. The prioritization of federal community development block grants funds for economic

development projects upsets current priorities and is in conflict with the thrust of the federal regulations. State resources should not be targeted in this fashion. The transition plan is too specific and too focused on economic development.

Merger is fine, but this bill goes far beyond merger. DCD has a great relationship with local entities that has been evolving over 26 years. DCD has acted in behalf of local governments with other state agencies. Move carefully in changing this relationship.

Witnesses: Senator Sylvia Skratek, prime sponsor (pro); Steve Hodes, Office of the Governor (pro); Barbara Gooding, Department of Community Development (pro); Mike Fitzgerald, Department of Trade and Economic Development (pro); Stan Finkelstein, Association of Washington Cities (concerned); Judy Frolich, Association of Counties (concerned); Pat Jones, Washington Public Port Association (concerned); and Mike Ryherd, Low Income Housing Congress (con).