

HOUSE BILL REPORT

ESHB 1509

As Amended by the Senate

Title: An act relating to establishing the Washington state economic development commission to replace the governor's small business improvement council.

Brief Description: Establishing the economic development commission.

Sponsors: By House Committee on Trade & Economic Development (originally sponsored by Representatives Skinner, Veloria, Sehlin, Pettigrew, McDonald, Schual-Berke, McCoy, McDermott, Linville, Upthegrove and Conway).

Brief History:

Committee Activity:

Trade & Economic Development: 2/7/03, 2/13/03 [DPS];

Appropriations: 2/25/03, 2/26/03 [DPS(TED)].

Floor Activity:

Passed House: 3/10/03, 95-0.

Senate Amended.

Passed Senate: 4/9/03, 49-0.

Brief Summary of Engrossed Substitute Bill

- Eliminates the Governor's Small Business Improvement Council.
- Creates, in statute, the Governor's Economic Development Commission.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Veloria, Chair; Skinner, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Blake, Chase, Condotta, Kristiansen, Pettigrew and Priest.

Staff: Tracey Taylor (786-7196).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Trade & Economic Development be substituted therefor and the substitute bill do pass. Signed by 23 members:

Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Boldt, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Hunter, Kagi, Kenney, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

Staff: Holly Lynde (786-7153).

Background:

The Governor's Small Business Improvement Council was created in 1984. The council ranges in size between 15 and 30 members and includes legislators, members of business organizations and small business owners. Ex officio members representing key state agencies are also included.

The focus of the Governor's Small Business Improvement Council is to identify regulatory, administrative and legislative proposals that will improve the entrepreneurial environment for small businesses as well as advise and comment on state business programs.

In September 2002, Governor Locke created a state Economic Development Commission (Commission) to help guide Washington's economic development policy and provide continuity to the state's economic strategy. The Commission was formed on the recommendation of Governor Locke's Competitiveness Council.

The Commission has 14 business leaders from across the state and a representative from the labor community. The Commission is to provide policy oversight and long-term guidance on issues directly related to the state's economy to the Department of Community, Trade & Economic Development (DCTED). The Governor directed the Commission to review and update current economic development strategy and performance measures, and perform an annual evaluation, as well as assisting the DCTED on the procurement and deployment of private funds for business development, recruitment and promotion. The Commission is also to solicit ideas from citizens around the state.

Summary of Engrossed Substitute Bill:

The Commission shall consist of 11 to 15 members, seven of whom are appointed by the Governor and confirmed by the Senate. The members must include two senators and two representatives from the legislature. The legislators will be appointed by the President of the Senate or the Speaker of the House. The Governor must consult organizations with an interest in economic development in making the appointments. Commission members must have representation from eastern Washington, central Washington, southwest Washington, the Peninsula, Central Puget Sound and Northern Puget Sound and reflect the state's various business sectors. At least seven members must be selected from

private businesses within Washington, including two representing small businesses. The Governor should also consider ethnic and gender diversity when making appointments.

Commission members shall serve at the pleasure of the Governor for six-year terms. The initial Commission members' terms are staggered: three are appointed for two-year terms, three are appointed for four-year terms and the remainder serve the full six years. A member cannot serve more than one year without Senate confirmation.

The duties of the Commission include: reviewing and periodically updating the state's economic development strategy and performance measures as well as annually evaluating the strategy; providing policy direction to DCTED; development of strategies to promote the growth and success of Washington's small businesses; assisting DCTED with procurement and deployment of private funds for business development, recruitment and promotion; and providing planning, strategic and programmatic direction to the DCTED.

The Commission will receive staff support from the DCTED.

The Governor's Small Business Improvement Council is eliminated.

EFFECT OF SENATE AMENDMENT(S):

An intent section is added underscoring the role of the economic development commission's role in developing and updating the state's economic development strategy and performance measurers, as well as to advise and oversee the DCTED.

The number of commissioners will be seven to nine members, instead of 11 to 15 members. The members will be appointed by the Governor, but are not required to be confirmed by the Senate. There are no legislative members of the commission. Seventy-five percent of the members shall represent the private sector, but members should include existing and emerging industries, small businesses, women-owned businesses and minority-owned businesses as well. The Commissioners should also include representation from all of Washington's regions, including eastern and central Washington. There are no other geographic requirements. The chair of the commission shall be selected by the commission.

The Commission duties also include: enhancing the relationships and cooperation between local governments, economic development councils, federal agencies, state agencies, and the legislature; integrating the economic development programs; meeting with the chairs of the legislative committees with oversight of economic development policies; and making a biennial report to the appropriate committees of the legislature regarding the commission's review of the state's economic development policies.

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

The Commission shall also receive staff support from the Governor's office.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Trade & Economic Development) It is important to create a permanent Economic Development Commission. Washington needs continuity and stability in order to develop a comprehensive economic development plan. The Washington Roundtable Report recommended a permanent commission as did the Governor's Competitiveness Council. The current group, appointed by the Governor, has held several meetings. If a critical issue arises, a permanent Economic Development Commission can amass resources and stakeholders to address the issue. Chicago was able to do this when Boeing was deciding where to relocate.

Testimony For: (Appropriations) The Department of Community, Trade, and Economic Development (CTED) has been reorganized 4 times since 1994. Its economic development budget continues to be cut. It is time to create continuity in the long-term plan of investing and growing our economy. The Governor's Competitiveness Council (Council) recommended creating an Economic Development Commission (Commission) to review and update Washington's current economic development strategy. Other states, such as Oregon, have created strong economic development commissions that have attracted new businesses and retained current ones. Creating the Commission as permanent force in the developing of Washington's economy will make our state more competitive. The costs will be for staff support and meeting space; members will serve without compensation or travel reimbursement. The Council felt that it was important to create this Commission in statute for fear that, over time, an executive order might expire or people would lose interest. The Council wants economic development policies that are sustainable over time, a strategy that is revised and adapted to the needs of the state, and oversight over policies that are implemented. State and local entities promoting economic development at the local level need to coordinate by involving people locally in developing policy, and overseeing and providing direction on how policy is implemented.

The resources that CTED is able to commit to the Commission are not sufficient to handle the scope either of the executive order or of the bill given how the Commission believes it needs to organize itself to carry out those tasks.

Testimony Against: (Trade & Economic Development) None.

Testimony Against: (Appropriations) None.

Testified: (Trade & Economic Development) Collins Sprague, AVISTA Corporation; Sheila Martin, Governors Policy Officer; and Dawn Mason.

Testified: (Appropriations) Representative Skinner, prime sponsor; Wendy Holden, Department of Community, Trade, and Economic Development; and Collins Sprague, Avista Corporation.