

# SENATE BILL REPORT

## SB 5741

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As of March 2, 2011

**Title:** An act relating to the economic development commission.

**Brief Description:** Concerning the economic development commission.

**Sponsors:** Senators Kastama and Chase.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Innovation: 2/16/11, 2/17/11 [DPS, w/oRec].

Ways & Means: 2/24/11.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

**Majority Report:** That Substitute Senate Bill No. 5741 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Baumgartner, Ranking Minority Member; Kilmer and Shin.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Ericksen and Hatfield.

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Richard Ramsey (786-7412)

**Background:** In 2002 Governor Locke created the Washington Economic Development Commission (Commission) through executive order. The following year the Legislature established the Commission in statute with the stated intent to have it develop and update the state's economic development strategy and performance measures; and provide advice to and oversight of the Department of Community, Trade, and Economic Development, now the Department of Commerce (Department).

In 2007 the Legislature revised the statutory structure, and expanded the policy role and responsibilities of the Commission. The Commission has 11 voting members appointed by

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the Governor for three-year terms and seven nonvoting, ex officio members. The chair of the Commission is a voting member selected by the Governor with the consent of the Senate.

The Executive Director of the Commission is appointed by the Governor with the consent of the voting members of the Commission. The Executive Director may appoint additional staff with the Commission's consent, employ outside consultants when appropriate, and use staff of existing operating agencies.

The Commission is directed to:

- concentrate its major efforts on planning, coordination, evaluation, policy analysis, and recommending improvements to the state's economic development system;
- develop and maintain on a biennial basis a state comprehensive plan for economic development;
- establish and maintain an inventory of programs of the state economic development system;
- perform a biennial assessment of the ongoing and strategic economic development needs of the state;
- assess the extent to which the system and its programs are a consistent and efficient approach to meet the state's needs;
- beginning no later than January 1, 2012, periodically administer scientifically-based outcome evaluations of the state economic development system; and
- produce a biennial report to the Governor and the Legislature on its progress coordinating the state's economic development system and include recommendations for statutory changes necessary to enhance the operational efficiencies and improve coordination.

The Commission's funding has historically flowed through the Department. The Commission does not have specific authorization to solicit funds from non-state sources.

**Summary of Bill (Recommended Substitute):** Membership in the Commission is increased from 18 to 24 by adding two more private sector members, one more labor representative, a representative with expertise in international trade, the Secretary of the Department of Transportation, and the Director of the Department of Agriculture.

The Executive Director's salary is set by the Governor with Commission consent and the Commission is to evaluate the Executive Director's performance in a manner consistent with the process used for evaluation of agency directors. The Executive Director is to hire, within existing funds, a research manager to carry out the Commission's data collection, database, and evaluation functions. The Executive Director is to develop an annual budget and work plan and report solely to the Governor and the Commission regarding Commission operations.

The Commission's statewide economic development strategy is due by January 31 of every odd-numbered year. The Commission must consult with relevant state agencies, private sector businesses, nonprofit organizations involved in economic development, trade associations, and relevant local organizations when developing the strategy.

The requirements to maintain an inventory of state economic development programs, assess the state's economic development needs, and assess how well the state economic development programs are meeting those needs are removed. However, an inventory and recommendations may be included in the comprehensive statewide economic development strategy. The Commission may not take an administrative role in the delivery of services and must evaluate its own performance on a regular basis

The Commission may accept and spend gifts, grants, and contributions from public or private sources. A Commission account is created in the state treasury. Monies in the account may be spent only after appropriation, and only for purposes related to carrying out the mission, roles, and responsibilities of the Commission. The Executive Director must use the unanticipated receipts process to request authority from the Office of Financial Management to spend money not anticipated in the legislatively-approved budget.

The Commission's fiscal agent may use no more than 10 percent of funds appropriated for personnel costs and no more than 3 percent of funds in the Washington State Economic Development Commission Account for administrative expenses.

**EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute):** Adds the Director of the Department of Agriculture to the commission and replaces the representative of a nonprofit trade association engaged in economic development with a representative with expertise in international trade. Requires the research manager to be responsible for data collection, database, and evaluation function and be hired within existing resources. Removes a reference to a required annual update, which is not required. Retains the date currently in statute for beginning to administer outcome evaluations.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Staff Summary of Public Testimony on Original Bill (Economic Development, Trade & Innovation):** PRO: This clarifies the Commission's mission and purpose and the need for evidence-based evaluations. The federal government is turning to an innovation agenda; there are plenty of opportunities for the commission to pursue non-state resources. The Commission should look at actions of regulatory agencies - The Department of Natural Resources and the Department of Ecology in particular.

**Persons Testifying (Economic Development, Trade & Innovation):** PRO: Egils Milbergs, WA Economic Development Commission; M.C. Halvorsen.