

HOUSE BILL REPORT

ESB 6100

As Reported by House Committee On:
Technology & Economic Development

Title: An act relating to establishing an economic gardening pilot program.

Brief Description: Establishing an economic gardening pilot program.

Sponsors: Senators Chase, Brown, Angel, Hatfield, Ericksen and McCoy.

Brief History:

Committee Activity:

Technology & Economic Development: 2/24/16, 2/26/16 [DPA].

Brief Summary of Engrossed Bill
(As Amended by Committee)

- Establishes an Economic Gardening pilot program within the Department of Commerce to provide strategic assistance to second-stage companies.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended. Signed by 7 members: Representatives Morris, Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; Fey, Hudgins, Rossetti and Wylie.

Minority Report: Do not pass. Signed by 3 members: Representatives DeBolt, Assistant Ranking Minority Member; Magendanz and Young.

Minority Report: Without recommendation. Signed by 1 member: Representative Nealey.

Staff: Jasmine Vasavada (786-7301).

Background:

National Center for Economic Gardening.

The National Center for Economic Gardening (NCEG), hosted by the Edward Lowe Foundation, has trademarked the term "economic gardening" to refer to an economic

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development strategy focused on using research and business assistance to help grow existing businesses. In contrast to relocation or startup initiatives, economic gardening targets second-stage companies already operating in a community. The NCEG requires that all team leaders and specialists providing economic gardening services must be certified by the NCEG. Specialists leverage corporate databases to assist participants in refining their core strategy, identifying market trends and potential competitors, mapping geographic areas for targeting marketing, raising visibility in search engine results and increasing web traffic, and tracking online resources to better understand competitors and customers.

Department of Commerce Economic Gardening Pilot Program.

The Department of Commerce (Commerce) is preparing to launch a pilot economic gardening program. Chief executive officers of six participating businesses will spend eight to 12 hours collaborating with the NCEG-certified National Strategic Research Team. The team will spend 20 to 24 hours working on specific business issues, and then conduct a follow-up "individual engagement" with the company within four to six weeks. To participate in the program, a business must: (1) qualify as woman, minority, or veteran-owned; or (2) be located in one of the following: an underserved county, a rural county, or a county affected by military downsizing. Associate development organizations, chambers of commerce, and small business development centers may identify businesses and refer businesses to the pilot program. A portion of the participation fee of \$5,000 shall be paid by the participating business and the main portion shall be paid by Commerce.

Small Business Assistance.

A variety of state programs provide technical assistance to small businesses. The Washington Small Business Development Center is a network of business advisors that operate from Washington State University, Western Washington University, certain community and technical colleges, and economic development agencies around the state. Commerce's State Trade and Export Promotion (STEP) Grant program, funded in part through a cooperative agreement with the United States Small Business Administration, helps small businesses access global markets and increase international sales of Washington-made goods and services. Commerce also administers the Washington Small Business Credit Initiative, funded by a \$19.7 million grant from the federal Small Business Jobs Act of 2010, that helps small businesses unable to obtain traditional financing. "Small business" for purposes of programs funded by the federal Small Business Administration is generally defined as 500 employees for most manufacturing and mine industries and up to \$7.5 million in average annual receipts for many nonmanufacturing industries. However, there are a number of exceptions. Under state law, "small business" is similarly defined typically by reference to a limit on annual gross revenues or on total employees. For example, under state procurement law, a small business is a company with 50 or fewer employees, gross revenues under \$7 million for the previous three consecutive years, or an enterprise certified by the Office of Minority and Women's Business Enterprises.

Summary of Amended Bill:

An economic gardening pilot program is established in the Department of Commerce (Commerce) to provide strategic assistance services to second-stage companies. "Economic

gardening" means an approach to economic growth and development that emphasizes nurturing and cultivating local small businesses by providing strategic assistance to second-stage companies. "Strategic assistance" means the performance of high-level database research and analysis or the deployment of staff members certified to: perform market research, develop core strategies, conduct business modeling, identify qualified sales leads, provide growth financing referrals, perform search engine optimization, utilize geographic information systems, advise on new media marketing, or assist with network analyses and innovation strategies. A "second-stage company" means a privately-held business that: (1) employs full-time at least six but no more than 99 persons; (2) has had a principal place of business and majority of employees in Washington for at least the previous two years; (3) claims gross revenue or working capital between \$500,000 and \$50 million; and (4) has a product or service that is, or has the potential to be, sold outside the company's local area or state.

On or before January 1, 2017, Commerce must initiate a program to provide or obtain necessary credentials for the economic development organizations participating in the pilot. Economic development organizations (EDOs) must be certified in economic gardening by an entity with relevant expertise in providing strategic assistance to second-stage companies. Commerce must issue a request for expression of interest and compile a list of parties interested in offering an economic gardening strategic assistance program. Commerce must provide the list to the Legislature by December 1, 2016. Commerce must select from the list the entity it deems best able to deliver training and strategic assistance services to second-stage companies and achieve specified deliverables.

On or before January 1, 2017, Commerce and participating EDOs must publish criteria for selecting up to 20 second-stage companies to participate in the project. Criteria must include job growth potential, sustainability, export potential, and a workforce comprised of at least 50 percent Washington residents. Companies seeking to participate in the pilot program must pay a one-time fee of \$750 that must be deposited in the newly created Economic Gardening Pilot Project Fund to be used for administering the pilot project. Commerce must work with chambers of commerce, associate development organizations, or other EDOs to implement the pilot project.

Before November 1, 2017, and annually through November 1, 2019, Commerce must submit a report to the economic development committees of the Legislature regarding the services provided, jobs created, and increased sales and services generated as a result of the pilot project. The pilot project terminates July 1, 2019.

Amended Bill Compared to Engrossed Bill:

The amended bill makes the following changes to the economic gardening pilot project within the Department of Commerce (Commerce):

1. it provides that certification to participate may be provided by an entity with relevant expertise in providing strategic assistance to second-stage companies, rather than requiring certification to be provided by a nationally recognized certifying entity;
2. it requires Commerce, before December 1, 2016, to issue a request for expression of interest, compile a list of interested parties, deliver the list to the Legislature, and select from the list the entity it deems best able to deliver training and strategic

- assistance services to second-stage companies and achieve deliverables, including promoting job creation, increased sales, and increased value of goods or services exported;
3. it authorizes Commerce or participating economic development organizations (EDOs) to contract with national specialists in the industries of the selected companies, rather than requiring Commerce and EDOs to contract with trained and certified economic gardening private contractors; and
 4. it removes "consulting" from the definition of "strategic assistance."
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Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Economic gardening can help established businesses in our communities export, expanding market share and hiring more people. Except in a few counties, communities across the state are not recovering from the recession. Second-stage companies in the Tri-Cities who were the first in the Pacific Northwest to participate in an economic gardening program support this effort. Economic gardening is proven to leverage significant economic gains.

(Opposed) None.

(Other) The Department of Commerce is using existing funds to launch a program that will have six companies initially enrolled and potentially expand to 30 companies. The cost-per-company for the training is \$5,000 and each company will contribute \$750. The website will have a portal for enrollment.

Persons Testifying: (In support) Senator Chase, prime sponsor; and Austin Neilson, Tri-City Regional Chamber of Commerce.

(Other) Chris Green, Department of Commerce.

Persons Signed In To Testify But Not Testifying: None.