

HOUSE BILL REPORT

E2SHB 2658

As Passed Legislature

Title: An act relating to refocusing the mission of the department of commerce, including transferring programs.

Brief Description: Refocusing the department of commerce, including transferring programs.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Kenney, Maxwell, McCoy and Morrell; by request of Washington State Department of Commerce).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/20/10, 2/1/10 [DPS];
Ways & Means: 2/6/10, 2/8/10 [DP2S(w/o sub CEDT)].

Floor Activity:

Passed House: 2/13/10, 56-38.
Senate Amended.
Passed Senate: 3/4/10, 45-2.
House Refused to Concur.
Senate Amended.
Passed Senate: 3/11/10, 45-2.
House Concurs.
Passed House: 3/11/10, 61-36.
Passed Legislature.

Brief Summary of Engrossed Second Substitute Bill

- Transfers five programs from the Department of Commerce (Department) to other state agencies.
- Directs that business and economic development services be delivered primarily through sector-, cluster-, and regionally-based organizations.
- Directs the Department to establish a community services and housing division, identifies programs to be included in it, and expires the section containing these requirements on July 1, 2012.
- Directs the Department, with advisory committee guidance, to produce an updated state energy strategy and implementation report by December 1,

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.

2010, and requires the Legislature to approve or recommend changes to this and subsequent strategies by concurrent resolution.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Chase, Liias, Moeller and Probst.

Minority Report: Do not pass. Signed by 2 members: Representatives Smith, Ranking Minority Member; Orcutt.

Staff: Meg VanSchoorl (786-7105).

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community & Economic Development & Trade. Signed by 14 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew and Seaquist.

Minority Report: Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Priest, Ross and Schmick.

Staff: Steve Smith (786-7178).

Background:

The Department of Community, Trade and Economic Development.

The Department of Community, Trade and Economic Development (DCTED) was created in 1994 through the consolidation of the Department of Community Development and the Department of Trade and Economic Development. The DCTED was responsible for promoting community and economic development statewide by assisting communities to increase their economic vitality and the quality of their citizen's lives, and assisting the state's businesses to maintain and increase their economic competitiveness while maintaining a healthy environment.

The Department of Commerce.

In 2009 legislation was enacted to create a state Department of Commerce (Department) as a successor agency to the DCTED. While the legislation did include sections changing the DCTED's name in many statutes, it did not contain policy decisions regarding the future of programs within the Department. Instead, the legislation directed the Department to consult

with a broad range of stakeholders statewide and develop, by November 1, 2009, a report for the Governor and legislative committees.

That report was to include analysis and recommendations for statutory changes that would ensure that the Department would feature, among other elements: a concise core mission, accountability, leveraged resources, maximized partnerships, and increased local capacity building. The report was also to include recommendations for creating or consolidating programs important to meeting the Department's core mission, and for terminating or transferring programs that were inconsistent with the core mission. The Department produced the required report and submitted an agency request bill and budget to advance its policy and fiscal recommendations.

Industry Sectors and Clusters.

In its 2008 report "Skills for the Next Washington," the Workforce Training and Education Coordinating Board describes and differentiates industry sectors from clusters. A sector is a group of firms with similar business products, services, or processes. Examples are aerospace, agriculture, and marine services. A cluster is a geographically concentrated, inter-related group of firms and other entities that do business with each other. The wine industry cluster in Walla Walla, for example, includes wineries, grape growers, banks, restaurants, hotels, and the community college's enology and viticulture programs.

Agricultural Commodity Commissions.

There are 24 agricultural commodity commissions in Washington. Examples include the Washington Apple Commission, the Asparagus Commission, and the Wine Commission. Agricultural commodity commissions are agencies of state government. Each is governed by a board of directors made up of growers and overseen by the director of the Washington State Department of Agriculture. Agricultural commodity commissions are formed primarily to engage in research and marketing for their specific commodity. Under their statutory authorities, the commissions collect mandatory assessments levied against all commodity shipments at rates established through grower referenda.

Summary of Engrossed Second Substitute Bill:

Findings, Intent, and Directives.

The Department's mission is to grow and improve jobs and facilitate innovation. The Department must provide business assistance and economic development services through sector-, cluster- and regionally-based partners rather than by assisting individual firms directly.

The Department must also examine agricultural commodity commissions as a model for other industries to self-finance activities such as workforce training, international marketing, quality improvement, and technology deployment. By December 1, 2010, the Department must report to the Governor and Legislature with findings and proposed legislation developed in collaboration with industry sector and cluster associations.

The Legislature directs the Department to establish the Community Services and Housing Division. Seventeen specific services or programs to be included in the division are identified, but the division is not limited to those programs named. The section containing these requirements expires on July 1, 2012.

Program Transfers.

All powers, duties and functions of the Department pertaining to five programs are transferred to other state agencies. County Public Health Assistance and the Developmental Disabilities Endowment are transferred to the Department of Health. The State Building Code Council is transferred to the Department of General Administration. The Drug Prosecution Assistance program is transferred to the Criminal Justice Training Commission. The Energy Facility Site Evaluation Council is transferred to the Washington Utilities and Transportation Commission (WUTC). Each transfer section includes common language regarding transfer of personnel, appropriations, apportionment of budgeted funds, documents, files, office equipment and other tangible property from the Department to the receiving agency.

The Municipal Research Council is abolished and its duties are transferred to the Department.

State Energy Strategy.

The Legislature finds that: (1) there is a need for the state to implement a comprehensive energy planning process; (2) the nation and world has begun a transition to the clean energy economy; and (3) this transition may increase or decrease energy costs and efforts should be made to mitigate cost increases. The Legislature declares that a successful state energy strategy must balance three factors: (1) maintaining competitive energy prices that are fair and reasonable for consumers and businesses; (2) increasing competitiveness by fostering a clean energy economy and jobs; and (3) meeting the state's obligations to reduce greenhouse gas emissions. Thirteen principles related to energy are provided. Nine are required to be used by the state to develop and implement the state energy strategy. Four are required of the Department. The state's 1994 statute containing seven energy policy goals is repealed.

By December 1, 2010, the Department must produce an updated state energy strategy and implementation report. By December 1, 2011, and every five years thereafter, the Department must produce a fully updated strategy and report. All strategies must be produced with the guidance of an advisory committee appointed by the Director of the Department (Director) to represent a balance of identified interests.

To facilitate Department and advisory committee decision-making, the Director must engage a group of scientific, engineering, economic, and other energy analysis experts to identify analytical needs and capabilities and to provide unbiased information on the energy portfolio, future needs, growth scenarios, and improved productivity. The group is to be comprised of representatives of higher education research institutions, the Pacific Northwest National Laboratory, the Northwest Power and Conservation Council, and other organizations with recognized expertise.

The strategy must examine the state's entire energy system to the maximum extent feasible. The strategy must identify administrative actions, regulatory coordination, and recommendations for legislation. The Department and advisory committee must review related processes and relevant documents. The strategy must be consistent with and build upon all relevant statutorily-authorized energy, environmental, and other policies, goals, and programs. To avoid competition among state agencies, the Department must coordinate a search for external in-kind and financial support for the process.

Following a public hearing on the advisory committee's recommendations for revisions to the strategy, the written report must be produced by the Department and conveyed to the Governor and appropriate legislative committees. The Legislature must, by concurrent resolution, approve or recommend changes to each energy strategy and report. The advisory committee must be dissolved within three months of the report being conveyed.

Other.

The number of Department staff administering innovation and policy functions who are exempted from civil service provisions is capped at ten, including three already exempted under current law.

The 1967 statute abolishing the State Census Board is decodified.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2010.

Staff Summary of Public Testimony (Community & Economic Development & Trade):

(In support) The Department has conducted a credible process. I agree with some of the proposed program transfers but there needs to be more thought given to some, especially in the area of community services and housing. The Governor wants the Department to have a laser focus on jobs, which is not currently the case when the Department has 132 programs staffed by over 300 employees. Our process involved thousands of stakeholders in person and through a web-based survey. We understand there are concerns because change is difficult. Energy is a critical sector for future economic development and the lack of an up-to-date strategy has handicapped our state in competing for federal Recovery Act dollars. The Department should have the ability to intervene in UTC hearings — it is the only agency prohibited from doing so. The mission of ending homelessness is consistent with the mission of the Department and so these programs should stay with other community services and housing programs within the Department. We are neutral on the transfer of Energy Facility Site Evaluation Council (EFSEC) administratively to the UTC but want each to maintain its independence in decision-making.

(Neutral) We support the language preserving the bargaining rights of transferred employees.

(With concerns) We support the idea of a separate division for community services and housing programs and would like the Independent Youth Housing Program to be included in it. We are neutral on moving the Long-Term Care Ombudsman program to the Office of Financial Management (OFM) but think that it would be a good fit within a separate community services and housing division. We are concerned about the three housing programs being lost within the Department of Social and Health Services (DSHS). The idea of a separate division is a good one for the short-term, and would want the three programs to be kept together in one place, wherever that is. We are concerned about moving the State Building Code Council (Council) to the Department of Labor and Industries. The Council is focused on standard setting, not enforcement, and would be a better fit within the division of Engineering and Architectural Services in the Department of General Administration.

(Opposed) We support the idea of a separate division for community services and housing programs and would like the Dispute Resolution Centers, the Community Mobilization program, and the sexual assault programs to be in it rather than be transferred to the DSHS. Including a list of the state's energy policies and goals in the bill is premature and presupposes the outcomes of a stakeholder-guided updating of the state's energy strategy. The Department would not have standing to intervene in the UTC's hearings. There needs to be a separation between the Department's policy advocacy role and the UTC's regulatory role.

Staff Summary of Public Testimony (Ways & Means):

(In support) We thank Representative Kenney for her work in reconfiguring the new Department reorganization with stakeholder input. Stakeholders support the bill because it retains Independent Youth Housing, Community Mobilization, and the Long Term Care Ombudsman within the Department. We are interested in simply keeping things intact until the economy improves, and then deciding on transfers once they have had a chance to be thoroughly considered.

Resolution Washington was included in the stakeholder process before any of the first reorganization plans, and the current bill gives the programs an interim plan as well as generates savings for fiscal year 2011.

The concern that federal funding could potentially be lost if a program that focused on youth who had aged out of care and did not come over to the Department of Social and Health Services (DSHS) was unfounded. The DSHS and the Department could, through a memorandum of understanding, continue to access federal funds.

The changes contained in this version compared to the original had support from stakeholders as the current bill allows human services programs centered in housing to stay at the Department. In the short term, leaving these programs in the Department is also the fiscally responsible thing to do.

(Opposed) None.

Persons Testifying (Community & Economic Development & Trade): (In support) Rogers Weed, Department of Commerce; Seth Dawson, Washington State Coalition for the

Homeless; Bryce Yadon, Washington Economic Development Association; and Tom DeBoer, Puget Sound Energy.

(Neutral) Alia Griffins, Washington Federation of State Employees.

(With concerns) Laurie Lippold, Mockingbird Society; Nick Federici, Washington Low Income Housing Alliance; Stan Bowman, American Institute of Architects Washington Council; Dave Warren, Washington Public Utility District; Kathleen Collins, PacifiCorp; and Louise Ryan, Washington Long-Term Care Ombudsman.

(Opposed) Anna Shelton, Resolution Washington; Steve Jewell, Safe Streets of Pierce County; Lonnie Johns-Brown, Washington Coalition of Sexual Assault Programs; and Chris McCabe, Association of Washington Businesses.

Persons Testifying (Ways & Means): Representative Kenney, prime sponsor; Seth Dawson, Washington State Association for Community Action, Washington Association for Substance Abuse, Washington State Coalition for the Homeless, and National Alliance on Mental Illness; Lonnie Johns-Brown, Resolution Washington and Coalition of Sexual Assault Programs; Laurie Lippold, Mockingbird Society; and Nick Federici, Washington Low-Income Housing Alliance.

Persons Signed In To Testify But Not Testifying (Community & Economic Development & Trade): None.

Persons Signed In To Testify But Not Testifying (Ways & Means): None.